

# **International Organizations and Globalization of Russian Regions**

## **Introduction**

Why is it so important to raise the issue of globalization for Russia and her regions? Despite the underdevelopment of Russia's version of globalization, the international community in general and specific foreign countries in particular do have their impact on internal developments in Russia. Sometimes the effects of globalization are not visible enough, but they cannot be disregarded. In spite of his inward-oriented rhetoric, President Putin's federal reform launched in May 2000 to some extent was inspired by developments outside Russia. These were the foreign investors who were confused by the tug-of-war between the federal center and the regions, and who called for a reshuffle of the federal system in Russia to avoid conflicts between federal and regional laws and get rid of regional autarchy. What is also telling is that Putin intends to implement his federal reform in accordance with formal democratic procedures, keeping in mind Western sensitivity to these issues.

The shift of power from the center to the regional actors was the major development in Russian politics in the beginning of the 1990s. Yet the Russian regions are not equal players on the international scene. Not all of them are capable of playing meaningful roles internationally, and these roles can be quite different for each one.

Three groups of constituent parts of the Federation ought to be considered as the most important Russian sub-national actors in the international arena. The first group comprises those regions with a strong export potential (industrial regions or those rich in mineral resources[1]). The second group is composed of ethnically non-Russian republics. The third group includes borderland regions.

Only regions belonging to either of these groups: a) might have sufficient resources for challenging the federal foreign policy and designing its own long-term strategic routes in the world; and b) demand more powers in foreign-related issues. Their strategies contrast with those of inward-oriented ("introvert"[2]) regions seeking more protectionism from the central government and more state control over import and export operations.

The purpose of this paper is to show that globalization in Russia develops in a peculiar environment, which is different from that in the West. In this paper the discourse about Russia's way to globalization will be placed into the Russian domestic context. The aim will be to demonstrate that:

- first, subnational territorial units in Russia are gradually becoming international actors;
- second, globalization of Russia's regions is a very uneven and competitive process;
- third, this unevenness and competitiveness might bring both new opportunities and challenges for Russia.

More specifically, the ambition of this paper is to analyze those different models of trans-border cooperation in which Volga Federal District (VFD) is engaged. These patterns largely coincide with the search for international profiles of three subjects of federation that are located in the VFD: a) Nizhny Novgorod oblast, which is a good example of industrial region located in Russia's heartland; b) Tatarstan whose international capital is very much related to

ethnicity and cultural and religious revival; c) Orenburg oblast which is an illustrative example of border region located at the edges of civilizations.

#### **Part 1.**

### **“THE POWER VERTICAL” AND THE HORIZONTAL NETWORKING: COMPETING STRATEGIES OF DOMESTIC AND INTERNATIONAL INTEGRATION FOR NIZHNY NOVGOROD OBLAST**

From the very beginning of Putin’s presidency, integration became the most widely used concept of Russia’s regional development. It is hard to question the need for domestic institutional integration, which is justly considered to be the precondition for Russia’s survival in 21<sup>st</sup> century. What is still debatable are specific models of integration and their relevance to the challenges of globalization.

By the end of 1990 it became clear that due to emergence of new political, economic and public actors Russian political space became much more complex than ever before. New patterns of institutional and non-institutional interaction were coming into being, with new corporate actorship to emerge on the basis of new labor ethics. These new trends were very much consonant with the world-wide crisis of hierarchical models of organizations and mushrooming of networking managerial models, which in Russia have however their own specificity.

Regions’ survival in increasingly complex and demanding environment consisting of a variety of actors depends on how they are to be positioned in the frameworks of both horizontal cooperation and vertical subordination. Traditionally, the regions in Russia were perceived as administrative units looking for their room in the “administrative staircase” of political power. *Vertically*, the regions are parts of what could be called “administrative market” composed of political institutions each having its niche in newly reconstructed “vertical of power”. Yet this is just one part of the story, since the regions increasingly find themselves interacting with other structures and institutions that in a strict sense are not a part of “administrative market” and are not attached to specific territory to the extent the regions are. *Horizontally*, the regions have to discover the potential of coalition building with other “sovereignty-free actors” (James Rosenau’s wording). What became important is social interaction with other members of regional milieu, interchange of resources and information, coordination of political and social practices, combination of different experiences[3].

Nizhny Novgorod Oblast (NNO) is a good example of changing roles of the regional governmental and non-governmental institutions under the pressures of globalization. NNO has always had far-reaching international ambitions (Nizhny Novgorod Fair historically was an important international trade point; nowadays the NNO government has launched a project of turning the region into one of leading Eastern European cultural centers). This case study shows that it is impossible to achieve international goals and reach world standards by relying on purely administrative measures. Globalization is basically about networking between equal partners horizontally associated by mutual interests.

### 1.1. Networking Strategies of NNO Actors

There are four types of key regional actors in NNO that widely apply networking strategies. *First*, these are industrial and business institutions. To foster domestic cooperative links between small and medium enterprises, a number of associations were established like “Partniorstvo” (“Partnership”), “Delovaya Perspektiva” (“Business Perspective”) and others.

For business community, creating technological and productive chains is an important asset. For example, “NORSI” oil company, one of most successful enterprises in NNO, builds its strategy on closely cooperating with oil reprocessing factories located in Kstovo and Dzerzhinsk, and “Sibur-Neftekhim” corporation[4]. Insurance companies (both local and Moscow-based) also develop business networks in NNO using a variety of means like e-trade, Internet advertising, etc.

International networking strategies are also widely applied to make NNO business actors better integrated into the world markets. NBD Bank, one of largest in NNO, is a part of a number of cooperative projects to include overseas partners such as World Bank and European Bank for Reconstruction and Development. Nizhny Novgorod Commodities & Currency Exchange has initiated “Investment in Russia” project with special focus on Volga Federal District territories.

*The second group* are educational and scholarly institutions. Among those actors developing the conceptual framework for networking strategies and implementing them in practice are Center for Social and Economic Expertise, Nizhny Novgorod Research Foundation, Nizhny Novgorod Regional Fund for Personnel Training, and other non-governmental public policy research institutions.

University community in NNO is one of few “islands of globalization”. It was the Institute for Applied Physics, Russian Academy of Science, that gave start to “Sandy”, the first electronic network in Nizhny Novgorod. “Intel” corporation has developed its educational programs in information technologies in Nizhny Novgorod State University. High School of Economics has launched a pilot project in human resources management and business education. The head of “Yukos” company has started major educational project “Generation” to compete with Soros Foundation and its regional branches.

*The third group* of networking actors are NGOs working in the public policy domain. Environmentalists (“Dront” center), human rights associations and gender organizations are among the most influential public actors in NNO. Thus, the International Forum “Great Rivers” that is periodically convened in Nizhny Novgorod, frames discussions around wide range of problems of national interest - from environment to Caspian Sea oil extraction.

*The fourth group* are information actors. Thus, TUS Information Center is committed to the mission of reshuffling region’s communication space on the basis of new information and managerial technologies. Nizhny Novgorod branch of Moscow-based Sterling Group is the region’s leader in inculcation of state-of-the-art technologies of corporate decision making, personnel retraining and strategic planning[5]. Internet business (including web design, e-commerce, and communication technologies) is mushrooming in the region. Strategic goal of these actors is to make information work for the sake of commercial and managerial efficiency.

*The fifth group* are ethnic, religious and cultural actors that tend to develop their outward strategies regardless of administrative and territorial borders. Cultural exchanges are about networking by definition, they develop beyond state and administrative borders.

These five groups very much differ from each other – for example, the first group is composed of self-oriented actors, while all other groups actors are of strong public interest background. Each of them possess of different types of capital as shown in the table below[6]:

<b>Networking actors:</b>	<b>Type of capital:</b>
1. Industrial and business institutions	Financial and physical capital (economic assets, funds, material property)
2. Educational and scholarly institutions	Human capital (trained skills, know how, expertise)
3. Public policy NGOs	Social capital (socialization, relationship)
4. Information actors	Intellectual capital (data possession and distribution, interpretation of key events)
5. Ethnic and religious actors	Cultural capital (cultural knowledge that ultimately redounds to the owner's advantages)

Thus, networking strategies are not exclusively based on market, profit-seeking principles, and include important social dimensions (information sharing, education, use of intellectual capital and know how, appearance of joint values and shared ethics, interlacing of responsibility, etc.). The networking relations are primarily about mutual agreements, including informal ones, and trust. In comparison to market operators, networking actors do refuse to apply strategies that would undermine the interests of their partners (see table below).

<b>Market Strategies</b>	<b>Networking strategies</b>
The main objective is material gain	The main objective is establishing long-term cooperative communications with multiple partners
The objects of exchange are well fixed in legal terms	What is exchanged is experiences and values
Sanctions against deviant actors are based on litigation mechanisms	Sanctions are a part of social relations and are based on moral and ethical standards

Establishing networking relations is a time consuming process, which makes participation in the network more effective than withdrawal. In this sense, networking successfully combines two different principles – competition and cooperation. Its effectiveness might be explained in terms of facilitating access to key resources and knowledge, lowering the risks, and speeding up innovations. By and large, networking leads to growing integrity within specific social and economic segments, be it business community or the world of NGOs. Most likely, in the future networking will flourish in those sectors which defy both market selfishness and administrative regulation[7].

What matters is that these are basically networking actors that foster liberal agenda and institutional pluralism in NNO. Many of them are in the vanguard of region's global moves, since their practices and experiences seem to correlate with the "global networking" concepts being developed and widely implemented in the West in the last decades. Foreign investments predominantly go to those sectors which are based on networking principles and are relatively free of excessive administrative regulations[8]. This was one of basic messages of US Treasury Secretary Paul O'Neil who has visited NNO in August 2000[9].

Of course, in order to avoid oversimplification, we should not treat absolutely all actors given in categories above as strong promoters of globalization agenda in the region. For example, in media and University communities of NNO we can easily find nationalistic and protectionist attitudes[10]. A significant part of regional business elite is ostensibly critical to joining WTO because of the fear to loose competition with strong international contenders. For example, anticipated entry of Russia in WTO will eventually make the insurance companies to increase their capital assets, which will automatically push many of small regional companies out of the market.

Yet despite these reservations and fears, the very nature of non-governmental actors operations makes them a part of global networking. They are pioneers of what could be called community based development initiatives (including education, project support, technical assistance, and institution building) that promote open society agenda and democratic institution building in the region[11]. Lobbying, grassroots activity, public relations, litigation, mass communication and contributing to political campaigning constitute the core of networking strategies. To the extent that networking actors influence government officials, they make them more accountable and responsive[12]. The networking actors are in most cases the leaders of public opinion, making specific demands upon government representatives on behalf of identifiable interests in the society. They are modifiers of members behaviour and opinion, and vehicles by which interest groups can realize their political, economic and social goals, both inward and outward oriented[13].

Most of networking actors are more efficient and resourceful in comparison to their administrative counterpart. For example, private TV channels in NNO are more popular than the state-owned. Business managers are generally perceived as more trustful than the local Kremlin politicians[14].

In a very indicative way, the public activity of networking actors is not always applauded in Nizhny Novgorod Kremlin, and frequently receives negative administrative feedback. Horizontal networking might become a matter of security concerns for regional officials. For example, in summer 2001 the NNO administration has issued a warning statement identifying those "non-traditional" religious units that are considered to be detrimental for the region's stability, with Ron Hubbard's Scientology Church on its top[15].

Lots of regulations are being imposed by regional public authorities in response to the perception that the networking sector is in violation of the public good[16]. Nizhny Novgorod Human Rights Society was heavily criticized for its peace initiative in Chechnia, while "Dront" ecological center got negative media coverage for allegedly making money on ecological concerns and impeding some industrial projects in the region[17]. Nizhny Novgorod Association of Soldiers' Mothers failed to get City of Nizhny Novgorod (CNN) Duma support to conduct a referendum aimed at introducing non-military service as an

alternative to current conscript. All this leads us to take a closer look at a different segment of region's political and economic milieu which is the "administrative market".

## **1.2. Administrative Strategies and Their Actors**

Administrative channels are a different type of strategy applied by regional actors. The totality of these channels form peculiar "administrative market" to include a variety of official institutions each having its predetermined and well fixed place in the hierarchy of state power.

### *Levels of Partnership*

- *Municipal level.* In the cities, foreign programs are targeted on strengthening local administration of social assistance. In VFD, the Urban Institute (Washington, D.C.) and the Institute of Urban Economics (Moscow) under the USAID-supported program have implemented two pilot projects of this kind – in Perm (with the key purpose of assisting the jobless in finding employment) and Arzamas, Nizhny Novgorod oblast (school lunch project[18]).

- *Regions (subjects of federation).* The basic problem at this level is to find the right balance between supporting the NGOs and cooperating with regional authorities. Thomas Carothers deems that it is important to incite Russian civil society institutions to find common background with governmental organizations. However, at least two major problems loom large at this point. First, many of Russian regions are semi-authoritarian political regimes, which complicates the perspectives of communication between public officials and NGOs[19]. Second, as Stephen Holmes suggests, the double control (as soon as the grant recipients are supposed to be accountable to both foreign foundations and domestic authorities) might paralyze the project implementation[20].

- *Federal district level.* FVD is a home to annual Fairs of Social and Cultural Projects financed by a number of international sponsors and politically supported by the presidential representative Sergei Kirienko[21].

### **1.2.1. Federal administrative institutions**

The federal center understands that regions have important impact upon federal policy issues. The main challenge is to find appropriate strategies and institutions to foster center-regions cooperative relations.

*Volga Federal District* (VFD) established in May 2000 is a major institutional element of "administrative market". On the one hand, the federal district is an instrument for conducting coherent federal policies at sub-national level. In an attempt to supervise the regional economic developments, Sergei Kirienko, presidential envoy in VFD, has suggested that mechanisms comparable to enterprises' bankruptcy and introducing crisis managers have to be applied to the subjects of federation in case of their financial insolvency and mismanagement[22].

On the other hand, Kirienko widely uses the advantages of this new institution to lobby the interests of NNO both domestically and internationally. For instance, attending Salzburg Economic Forum in 2001, Kirienko has advertised the investment opportunities of NNO[23].

In the sphere of international relations one of the most important formal institutions is the local branch of the Ministry of Foreign Affairs in NNO which was established in 1992 and is in charge of visa support and issuing passports for foreign travel. It also assists the tourist and travel companies, as well as business institutions wishing to check information concerning their international partners[24].

### **1.2.2. Regional administrative institutions**

During the last decade (1991-2001) NNO has experienced three different types of regional governance which could be summarized in the following table.

	<i><b>Boris Nemtsov</b></i>	<i><b>Ivan Skliarov</b></i>	<i><b>Gennady Khodyrev</b></i>
<i><b>Type of political regime</b></i>	"Winner takes all"	"Struggle by the rules"	"Struggle by the rules"
<i><b>Political agenda</b></i>	Democratic and pluralist (right-wing)	Conservative (centrist)	Left-oriented (pro-Communist)
<i><b>Relations with the federal center</b></i>	Excellent	Unstable and controversial	Enforced compromise
<i><b>Economic orientations</b></i>	Liberal reforms	Stagnation	Socially oriented economic platform
<i><b>Relations with non-state actors (media, NGOs, etc.)</b></i>	Very selective, based on corporate loyalty and administrative interest	Generally tense and ambiguous, with multiple ups and downs	Unclear (still nascent)
<i><b>Major political resources</b></i>	Publicity and news making	Political apparatus (regional nomenklatura)	Protest voting and Communist party affiliation
<i><b>Major political successes</b></i>	Opening up of the region to the world, turning NNO into one of most important political regions in Russia	Starting to build relations with major domestic investors, forming the regional government	Freezing membership in Communist Party
<i><b>Major political defeats</b></i>	Corruption accusations, unfinished character of initiated reforms	Inability to adequately mitigate clashes of interests, failure to secure regional budget	Slow team building, low transparency of decision making procedures
<i><b>Major rivals in the region</b></i>	Communists and nationalists	The mayor of CNN	Liberal groupings, potentially – Presidential representative in VFD
<i><b>International credentials</b></i>	Good reputation in international financial and political circles	Mediocre, tending to decrease by the end of the term in office	Almost non-existent

The governorship of Boris Nemtsov (1991-1997) was considered as one of the most liberal in Russia. However it was intrinsically based on predominance of administrative instruments and measures in political consensus building and economic reforms. Nemtsov's leadership contained strong authoritarian inclinations, since his strategy was that one of subordination of the most loyal non-state institutions to the regional authorities, and marginalization of those which were treated as uncooperative. Politically, Nemtsov's leadership was a sort of "one man show", which by and large corresponded to "winner takes all" model of regional political regimes developed by Vladimir Gel'man[25].

The governorship of Ivan Skliarov (1997-2001) was a period of political and economic stagnation. Skliarov who won the election after Nemtsov's resignation with the image of his follower, lacked clear understanding of the region's mission and interests. In comparison to Nemtsov, his successor stuck to conservative agenda, and in even greater scale preferred to heavily rely upon the support of the regional nomenklatura.



Gennady Khodyrev, a Communist who defeated Skliarov in 2001 election, is still in search for his regional political identity. He has to oscillate between the loyalty to the federal center and his left-wing credentials.

All three types of political regimes experienced in NNO have however much in common. All of them were based on overtly administrative strategies of achieving their political goals, and underestimated the importance of heeding the needs and interests of non-state actors. All three governors were rather suspicious to autonomous roles of financial and information actors, and basically neglected their potential. These protectionist instincts are particularly visible as soon as it comes to Moscow-based companies wishing to extend their business operation to NNO: the practice is that multiple red-tape impediments are being erected to push away out-of-region competitors [26].

One of greatest problems of region's administrative market is that its institutions seem to be rather vulnerable to electoral constraints. In Sergey Obozov's words, this is the governor who is the sole guarantor of institutional stability within region[27]. The resignation of right-wing Obozov's government in the aftermath of the victory of Communist candidate Gennady Khodyrev in July 2001 gubernatorial election was an evident prove of fragility of political and administrative market in the region.

Of course, this is not to say that administrative strategies are doomed in principle. Administrative tools might indeed be rather effective in solving a number of issues. For example, many in Nizhny Novgorod deem that the whole concept of off-shore zones has to be drastically revised. NNO authorities believe that the off-shore zone in Sarov takes monies away from the regional budget and is a sort of financial "black hole" which brings substantial losses to regional finances[28]. Of course, these are administrative tools that are to be first applied to make the enterprises to pay taxes to the regional budget of NNO.

Some of sub-national administrative institutions are rather effective in going global. The Bor county administration – which is a part of NNO – is widely known for its well-thought strategy of attracting foreign investors (including "Glaverbel", "Gallina Blanca" and other reputed European companies). The Bor administration has pledged to reimburse its foreign partners for those losses that were incurred due to bureaucratic procedures and unexpected changes in legislation[29].

### **1.2.3. Industrial actors**

Relations of industrial actors with the administrative institutions are very complex and controversial. On the one hand, almost all new owners of major Nizhny Novgorod industrial enterprises have been staying aloof of the regional politics. Oleg Deripaska, one of most influential Russian tycoons and the owner of GAZ car-building factory, has refused to run for governorship in 2001 despite insistence shown by a part of regional elites. Later in his interview Deripaska has pointedly refused to give his appraisals to the government of NNO, thus demonstrating his unwillingness to get into political and administrative issues.

Yet on the other hand, industrial actors are in one way or another closely associated with regional and federal administrative institutions. Regional authorities of course are very much interested in keeping control over major plants and factories due to financial (paying taxes to regional budget), social (keeping balance in the regional labor market and avoiding large-

scale unemployment) and political (controlling large segments of constituency) reasons. Even if regional administration formally is not among stake holders of an industrial enterprise, the former has a lot of tools to exert its influence over industrial policies.

Major financial and industrial groups (FIGs) are eager to keep “special relations” with certain factions of federal policy making elite. For example, Oleg Deripaska is known for good relations with influential people of Moscow Kremlin - it was Anatoly Chubais who was most instrumental in making Ukrainian President Leonid Kuchma to allow Deripaska's companies to take over the Nikolaev Aluminum Works. Moreover, Deripaska badly needs state protection from multiple international law suits charging him with money laundering and illicit business operations[30].

The very structure of Russian legislation makes the federal authorities indispensable for tackling a plethora of most practical issues related to everyday activities of industrial actors. Thus, the federal center consent was needed to restructure the debts of “GAZ”[31] and establish joint venture GAZ-FIAT.

From its part, under President Putin the federal authorities have developed their own strategies towards regional industrial actors. One of them is creating a number of all-Russian business associations that eventually would become the backbones of Putin's “new social contract” and the cornerstones of federal center industrial policies.

Another strategy is to make individual firms merging in larger industrial corporations of trans-regional reach. According to Kirienko, four sectors were given high priority for NNO and VFD in general: petrochemical industry, car building, aviation and transportation[32].

In NNO the pioneers of industrial enlargement were radio-electronic enterprises that in summer 2001 have formed three corporations - “Radar”, “Radiopribor” and “ATC”[33]. Each of them is supposed to get preferential treatment from the federal government (their debts will be restructured, and the federal contracts will be secured). Another most recent example of establishing trans-regional vertically integrated company is “Volga Hydro-energy Cascade” also created in summer 2001.

The matter of fact is that appearance of new business agglomerations lessens the political and administrative resources of regional “party of power”. As economist Yakov Pappe suggests, the possibilities of administrative bargaining decrease, because the specter of issues to be solved exclusively by regional administration is shrinking. Should this trend persists, in the future the financial and industrial groups will treat regional administration as merely one of their counter-parts to deal with. In this case FIGs as coalitions of partner business organizations will play major role in Putin's institutional reforms[34].

### **1.3. Bridging the Gap Between Administrative and Networking Strategies**

The main message of the previous sub-chapter was that administrative strategies have their clear functional and institutional limitations. Many efforts of networking actors fade away because of multiple administrative institutions each erecting their red-tape barriers. That is why for the sake of market efficiency they have to be coupled with non-administrative, networking instruments.

### **1.3.1. Region Building in Between Administrative and Networking Principles**

Regional administrative institutions develop a wide range of relations with autonomous and semi-independent actors. Commercial banks were among creditors of the NNO administration[35]. Regional Fund for Supporting Small and Medium Business, affiliated with the Oblast's Department of Developing Entrepreneurship, is a guarantor of the program to finance socially important projects initiated by local private companies[36]. One of the first moves of Gennady Khodyrev in his capacity of new NNO governor was signing a protocol with "Gazprom" corporation in order to reschedule the regional budget's debts to this mighty gas monopoly[37].

Close interconnectedness of administrative and non-administrative tools might be well illustrated by the project of establishing Free Customs Zone (FCZ) "Russia's Pocket" in NNO. It popped up in summer 2001, when the government of NNO has drafted FCZ concept and solicited federal center support in issues of taxation and passing appropriate legislation[38]. However, purely administrative channels are not sufficient for effective management of this ambitious project. Apparently, it is not enough to invest budget funds to those sectors that have to take the lead in region's development. What is necessary is to find appropriate business partners that have vested interests in upgrading communication and transportation infrastructure, environment, urban architecture, tourist facilities, and other components of business friendly climate.

There are other proves of potentially fruitful linkages between administrative (vertical) and non-administrative (horizontal) strategies. As soon as Nizhny Novgorod became the main city of VFD, regional authorities came up with the idea of "exploiting the resource of the capital city". The point is however that Sergey Obozov, the first head of NNO government, treated this resource in predominantly administrative ways: with its new political role as the "capital" of the district, Nizhny Novgorod attracts more attention from the part of the President, and more ministers come here with official visits[39]. Meanwhile, there are competing concepts of Nizhny Novgorod development – that ones of turning it from the administrative "district capital" to the "business capital" with market friendly climate, entrepreneurial culture and business sensitive policy making.

Basically these were Russian investors – major financial industrial groups like "Sibal", "Interros", "Severstal", "LUKOil", "Kaskol", "United Car-Building Plants" – that became major networking partners of NNO administration[40]. Their advent to NNO market was a sequence of their inability to successfully operate abroad due to multiple reasons including protectionist policies of Western countries and slow adaptation of Russian FIGs to international markets demands. In result, each of these FIGs has purchased major industrial enterprises like GAZ, Pavlovo Bus plant, "Krasnoe Sormovo" shipyards, and other industrially meaningful plants. Intrinsically, relations within FIGs are usually characterized by "soft" coordination of interests between numerous business operators and coalition building. For example, in petrochemical industry the new holding is being formed with a far reaching strategy of competing with leading international producers. As a precondition for entering the world markets, the holding is oriented to keeping high standards in accounting, consulting, and securing share holders rights[41].

Inevitably, creation of such corporations will make the regional authorities to rethink their old-fashioned strategies of industrial development. There is no longer much room for Soviet-style orders to industrial actors that are motivated by making money and expanding their markets. In case if the business climate in the region is insufficiently friendly, major investors

might leave the NNO as fast as they have appeared. In response to changing procedural framework, administration of NNO has introduced the practice of signing cooperation agreements with major investors (“Sibur-Neftekhim” and others), which is a good testimony of emerging comprehension of horizontal cooperation strategies in the region.

To boost NNO investment potential, NNO government has to horizontally cooperate with a number of autonomous partners to include such NGOs as “Transformation Technologies”, “Institute of Commodities Market and Management”, “Expert Institute”, “Institute of Urban and Regional Development”, “Institute of Direct Investments”. In Obozov’s words, the role of the regional administrative structures is to accumulate resources of private sector for launching major cost-sharing projects co-sponsored by foreign and domestic investors. This fruitful approach is one of results of the strategy of foreign financial institutions to incite regional administrations to raise matching funds for collaborative projects[42].

Yet not only administrative institutions have to recourse to cooperation with non-state economic actors. The latter need positive administrative feedback as well. For example, insurance companies operating in NNO are certain that lack of interest to their business from the part of local and municipal authorities is one of major deficiencies of insurance market progress in the region[43].

The concept of mixing horizontal and vertical strategies is applicable to political domain as well. Politically, the region might secure its interests (both nation-wide and internationally) via parliamentary institutions (both chambers - the State Duma and the Federation Council - have strong regional backgrounds). Yet those representing the region in the federal parliament are members of different political parties and public movements, and in this sense are rather participants of various political networks than of administrative hierarchies.

The humanitarian sphere too necessitates constant interaction between administrative bodies and non-administrative actors (media, think tanks, voluntary and professional associations, etc.). For example, Nizhny Novgorod Law Institute of the Interior Ministry became one of partners of U.S. Emerald Group within the framework of the anti-corruption project that involves – by the very nature of the problem tackled – public authorities. Similarly, Nizhny Novgorod Human Rights Association created in August 2001 by a number of local NGOs (Committee of Soldiers’ Mothers, Ecological Center “Dront”, Society Against Tortures, and others) is looking for nomination of its activists to the VFD Human Rights Commission, which from the very beginning was filled basically by administrators[44].

### **1.3.2. District Building and Changing Strategies of Trans-Regional Actors**

The district-building process is a mix of administrative (vertical) and networking (horizontal) strategies. Domestically, administrative cadres in VFD are predominantly recruited – due to Kirienko’s efforts – through open contests, which gave reason to speak about new principles of political management technologies that are being tested in the district and based on using communication and information resources. Not incidentally, the bulk of candidates for public service offices in VFD come from business[45].

This is an understandable trend because small and medium business is in search for their niche somewhere in between administrative market and networking strategies. Nizhny Novgorod became the consolidation center of the VFD branch of the All-Russian Union of Entrepreneurial Associations. On the one hand, this nascent institution is clearly supported by

the Presidential administration eager to find new communicative channels for state-business dialogue. On the other hand, this Union is structurally based on coordination of sectoral and territorial interests between multiple business organizations[46]. To foster investments and credits, one has to establish a network of connections with international institutions as well.

The big business too is leaning to administrative decision makers. Thus, “Lukoil” company purchase of “NORSI” oil processing plant in NNO was negotiated in 2001 under the auspices of Sergei Kirienko, as a part of recreating large industrial holdings in VFD[47].

Networking principles are also projected onto those spheres laying beyond Russia’s borders. Sergey Kirienko, for example, noted that the territorial area of responsibility of Russia’s leaders, both national and sub-national, is defined not by administrative borders but rather by cultural factors - he refers to the “area within which people think and speak Russian”[48]. Kirienko is known for his commitment to support the networking of non-governmental organizations fostering horizontal integration local communities and specializing in culture, arts, ecology, social partnership, youth policy, sports, gender. He enthusiastically supports a number of cultural projects like “Social Projects Fair”, “Cultural Capital of the District” and others.

Interdependence of administrative and networking strategies might be illustrated by the changing roles of many actors of trans-regional reach. One of them is the *Volga Customs Board*, one of key institutions in charge of VFD regions’ foreign economic contacts. On the one hand, like all other district-level institutions, the Board is an instrument for achieving greater centralization and unification of customs operations. On the other hand, it has to find out the ways to cooperate with individual exporters and importers, customs brokers, and other actors which stay beyond administrative market.

Here is another example. NNO is a part of “Greater Volga” Association of Inter-regional Economic Cooperation. Though Association members are regional administrations, organizationally it is based on networking principles. For example, NNO has come up with the idea of establishing the Volga Board on Foreign Trade with the mission of coordinating and monitoring foreign economic relations of individual regions forming the “Greater Volga” Association[49]. This might be done only on the principles of respecting mutual interests and equality of all parties involved.

The same goes for extending to NNO the trans-European transport corridor running from Berlin through Minsk to Moscow and further eastward. Closely related is the federal program “Roads of 21<sup>st</sup> Century” in which NNO – due to its location at the crossroads of “North-South” and “East-West” transportation axes - plays one of key roles. Basically, these projects are based on administrative background, since these are public authorities that are in charge of investing into upgrading the transport infrastructure, including airports, highways and river ports[50]. This is responsibility of the regional authorities to find adequate solutions to those critical problems that might undermine the project – for example, restructuring huge debts of Gorky Railroad, or finding the most appropriate areas of industrial cooperation with failing economies of Belarus (within the framework of trans-European transport corridor) and Central Asia countries (keeping an eye on potential “North-South” transportation project which is still under consideration).

The truth is, however, that administrative strategies sometimes lack due transparency and competitiveness. For example, there were many alarming signs that Moscow – Nizhny Novgorod highway is mismanaged by NNO authorities, which represents a threat to

implementation of international transport corridor project[51]. Yet most important is that there is much room for non-state actors' (investors, providers of retail services, travel agencies, communication companies, etc.) contribution to the success of each of the projects. Transportation upgrading projects in VFD, apart from mobilizing administrative resources, clearly require regular horizontal interaction with a wide range of actors relatively independent of the regional governments like car producers, catering services, media, etc[52]. Hence, the basic challenge for project implementation is due coordination – basically non-administrative, interest-driven - between multiple actors each having their stakes in upgrading transportation facilities.

\*\*\*

It is widely acknowledged that Sergei Kirienko, the presidential representative in the Volga Federal District, is one of few Russian sub-national politicians who is open to cooperation with the Western foundations. In his view, the state is in no position to tackle with all emerging troubles, relying exclusively on its own forces[53]. In particular, Kirienko was the first of presidential envoys in the federal districts to held an official meeting with Eurasia Foundation. One of concrete results of Kirienko's rapprochement with the Western grant making institutions was the project of selecting one of the Volga cities to be its "cultural capital". The Fair of Social Projects is also one of initiatives of VFD authorities supported by foreign foundations. In 2001 IREX has launched special program of partnership between VFD-based and American institutions.

Yet it is still debatable whether the NNO has managed to raise its international credentials. Learning to live in the world of networking relations (including using communication technologies, skilled labor force recruiting, and business education) is a hard challenge for region's political and economic actors. Building balanced cooperative relations is a true departure from the Soviet-style decision making, and might bring certain disorientation to the decision makers. Thus, the first reaction of Nikolai Pugin, former General Director of "GAZ" car-building factory, to the entry of "Severstal" company into NNO market, was extremely negative[54]. Pugin has wrongly predicted that new powerful economic actor would undermine stability in NNO. The period of relative uncertainty went on with the purchase of "GAZ" by another wealthy newcomer – "Sibal" group. "GAZ" also went through reconsidering its relations with its major foreign partner "Fiat" and started negotiations with "Ford" and "Volkswagen"[55].

A number of problems are still unsolved in the area of international engagements of NNO actors. *First*, there is a critical deficit of skilled managers in the region. *Second*, customs regulations are outdated and obsolete. *Third*, foreign investors are not happy with the economically all-mighty monopolies like "Gazprom", RAO EES which might easily raise energy tariffs and thus damage existing projects. *Fourth*, many enterprises are unwilling to apply international accounting standards, mainly because they are afraid to loose informal financial mechanisms they are used to. *Fifth*, some of public authorities still are not apt for long-term international cooperation. Thus, for example, Swisscontact, Swiss-based foundation, had to abstain from funding business incubator in the city of Dzerzhinsk because the municipal authorities were unable to timely find appropriate office[56]. Another notorious example is much debated conflict between NNO authorities and international investors who defended their right to continue erecting the hotel in Nizhny Novgorod downtown despite obstruction from the part of local religious and nationalist groups that have found an ancient cemetery under the building's foundation.

A very important restraint of region's strategy of internationalization is that the possibilities for establishing and developing networking relations are very much limited. Thus, Pavlovo Bus Plant has succeeded in cooperating only with partners from Ukraine and Vietnam which became interested in buying its vehicles and providing spare parts for them[57].

## **Part 2.**

### **ETHNICITY AS A RESOURCE OF GLOBALIZATION: THE CASE OF TATARSTAN**

Tatarstan belongs to a different group of ethnically non-Russian republics. Ethnicity is a powerful factor that almost automatically pushes those republics into a wider system of international and transnational relations[58]. A search for ethnic identity is a factor of international socialization of Tatarstan, giving a new quality to their international standing. Transnational identity based on cultural heritage, religion, and language can provide a network of opportunities for the region's population or for certain segments of the population[59]. For example, some Islamic countries (Saudi Arabia, Turkey and others) assist Tatarstan in spiritual and educational affairs, as well as by rendering moral and political support[60]. Establishing links with their ethnic diasporas also plays an important role in the foreign affairs of this republic.

What is more, ethnic republics usually are eager to position themselves internationally by placing special impetus on international legal norms defending ethnic minorities. At the same time all of them count on international solidarity in case of encroachment from the federal government on their autonomy, since they have both moral and material support abroad among like-minded ethnic groups and organizations[61].

Tatarstan's ethnic regionalism is geared by the adaptation of international economic experience and its projection to specific ethnic backgrounds. Its elites try to thread ethnic identity through economic rationality. Ethnicity in this case is used as a resource to foster autonomy from the federal center and provide societal consolidation.

In the meantime, the polemics around Tatarstan is focused on core issues for Russia as a whole – those of its integrity, cohesiveness and the ability to speak with the single voice internationally. This region might also provide useful insights on the limits of Putin's recentralization project.

The case of Tatarstan clearly demonstrates how slim is the line dividing Russia's domestic and foreign policies. Indeed, one of major challenges to Russia is to learn to live with the revitalized world of Islam both on Russia's southern periphery and within its own boundaries[62]. Tatarstan is a good illustration of the "intermestic" nature of today's political process and close interrelatedness of its different segments.

## 2.1. Globalization Paradigm as Seen From Tatarstan

On the one hand, President Shaimiev repeatedly underlines that the federal authorities ought to be primarily busy with taking strategic positions and defending globally the Russian national interests, presuming that the stronger are international engagements of the central authorities, the lesser would be their involvement in the plethora of regional issues.

On the other hand, Shaimiev himself strongly adheres to globalization approaches and is in no mood to give up the sphere of international relations to the Kremlin. In his words, the world consists not of governments but primarily of nations and ethnic groups whose interests ought to overweight the interests of states. The concepts of “nations beyond states” and “global federalism” are rather popular in Tatarstani ruling circles. Some local scholars deem that “national sovereignty of Tatars is more important than the state sovereignty of the republic”, since the territory of Tatarstan was fixed arbitrarily, while the Tatar nation is well integrated phenomenon<sup>[63]</sup> (which is not exactly the case since the bulk of Tatars reside outside Tatarstan).

As viewed from Tatarstan, globalization gives it direct access to international cultural and social milieus. Global norms and institutions are important for Tatarstan since they might internationally justify its strategic aspirations for autonomy and self-rule<sup>[64]</sup>. International community, in Shaimiev’s words, is committed to preserving cultural diversity of the humankind and defending the rights of each of the ethnic groups. As Rafael Khakim (policy aide to Shaimiev) admits, without such internationally accepted values as human rights, peaceful resolution of conflicts, and democratic governance, the very survival of Tatarstan could have been put under question<sup>[65]</sup>.

Yet the current state of international law does not satisfy completely Tatarstani leaders. Thus, according to Khakim, “pleading the principle of non-interference in internal affairs, the international community prefers to leave the solution of self-determination problems to the discretion of the states involved... The most radical step towards a renewal of international relations would be to establish a second chamber of the United Nations, one which would represent peoples and not states. This would change the structure of many international organizations, including the International Court of Justice”<sup>[66]</sup>.

In his foreign policy President Shaimiev tries to maintain a balance between “West” and “East”. Authorities of Tatarstan keep ‘special relations’ with the Muslim countries that focus basically on cultural and political issues, while relations with non-Muslim countries are mainly aimed at improving economic ties. A good continuation of Tatarstan’s policy of balance was the project of restoring the “Great Volga Road” that historically has proven its efficacy in connecting the northern and western parts of Russia with Caspian and Black Sea ports<sup>[67]</sup>.

President Shaimiev has pointed out that “Western Europe is the landmark for Tatarstan”. Tatarstani leaders have expressed their dissatisfaction with incremental anti-Western attitudes among Russian policymakers. At the same time, political and intellectual leaders of Tatarstan have repeatedly expressed their disappointment with the Western countries policies. Thus, Western-style reforms as implemented by Yegor Gaidar government in early 1990s and the shock therapy modeled after American advises were rebuffed in Kazan’. In view of local experts, the West sticks to selective support to the human rights by ignoring the bloodshed in Chechnia and refusing to recognize politically the separatists<sup>[68]</sup>. In spite of the Western



policy of economic sanctions against Saddam Hussein regime, Tatarstan is intensively cooperating with Iraq in oil extraction and reprocessing<sup>[69]</sup>.

Opinion polls in the city of Naberezhnie Chelny had shown that only 10,9% of its population would applaud fostering market reforms on the basis of political rapprochement with the West. In minds of many Tatars, pro-Western policy attitudes might lead to strengthening of Christian influence in the republic<sup>[70]</sup>.

Inside Tatarstan there are more radical foreign policy attitudes (of course, we should not exaggerate the political importance of those radical viewpoints for Tatarstan, since the governing elite is much more moderate and pragmatic). For example, activists of the “Tatar Public Center” (one of nationalist groups) call for boycotting the federal ministries in Tatarstan as “institutions of foreign state”<sup>[71]</sup>. The Kurultai (Convention) of the Tatar People appealed to international community claiming that Tatarstan is Russia’s colony (local nationalists commemorate October 15, the day when the army of Ivan the Terrible militarily subdued Kazan’ in 1552, as national mourning), and has to be allowed full-fledged international participation. Among the most radical proposals of the Kurultai delegates were stigmatizing inter-ethnic marriages, establishing contacts with national liberation movements all across the globe and application for Tatarstan’s membership in NATO<sup>[72]</sup>. Some radical extremists (frequently called “non-traditional Islam groups” backed by likely-minded sponsors from Pakistan, Algeria, Saudi Arabia, Yemen, Lebanon and other countries) are practically implementing some of those theories – recruiting volunteers for Chechen rebels and preparing terrorist attacks<sup>[73]</sup>.

The table below illustrates some of those divergent assessments.

Issues	Radical Nationalists	Republic of Tatarstan government	Russian federal center authorities
Sovereignty	Transition from “colonial dependency” to full-fledged independence which was interrupted by Russia’s military interference in 1552	Sovereignty is flexible and divisible (it might be shared between Tatarstan and Russian Federation)	Sovereignty belongs to Russia as a whole
Territorial integrity of Russia	The principle of territorial integrity might strain ethnic and regional development	Tatarstan does not seek full separation from Russia	Territorial integrity is unconditional political principle
Foreign policy	Completely independent foreign policy (up to application for NATO membership)	Republic of Tatarstan is the state associated with Russia (and is equal to Russia), and in this capacity is the subject of international relations	Tatarstan’s “foreign connections” (as different from the “foreign relations” of the federal center) are based on the treaty of division of powers between the regional and the federal authorities
Legal collisions	Tatarstan ought to have its own legal system	Laws of Tatarstan have priority over Russian federal legislation (as ruled by Tatarstan’s Constitutional Court)	Coherency and indivisibility of the legal foundations of the Russian Federation
Citizenship	Independent of Russia citizenship	Gradual acceptance of double (Russian and Tatarstani) citizenship	Single Russian citizenship (Tatarstan is allowed to issue additional inset for its residents)
War in Chechnia	Tatarstan ought to follow the Chechnia drive for independence, yet be better prepared	Appeal to stop the violence and military actions in the Caucasus, and start negotiations with the Chechen leaders	Massive use of military force to suppress rebels and terrorists
Identity	Islamic identity	Double identity (European and Islamic); Tatarstan as a bridge between West and East	Common multi-national identity of the whole Russian people
Diaspora	Forming global Tatar community	Diaspora as a factor legitimizing Tatarstan’s global bid	Diaspora is basically cultural phenomenon
Methods of settling center-periphery disputes	All possible methods up to military insurgence	Negotiations	Negotiations
Ethnicity and democracy	Defending ethnic interests is more important than democracy	Strengthening ethnic factor is a precondition for democratic development	Democracy has to be built up upon non-ethnic background

## 2.2. Constructing and interpreting the meanings of sovereignty

The problem of sovereignty is the core issue to understand the ways in which the foreign relations of Tatarstan are organized.

The notion of sovereignty - as used by Tatarstan leaders - is however rather vague. “Contradictory”, “complicated”, “clouded”, “unsettled”, “murky”, “amorphous”, “confused” – these characteristics could be given to Tatarstani-Russian legal collisions. Three blocks of controversies might be distinguished in this domain. First, according to the Tatar

Constitution, this republic is a sovereign state and a subject of international law associated with the Russian Federation. By contrast, the Russian Constitution asserts that Tatarstan is a subject of the federation and a part of its territory. Secondly, although Tatarstan claims the independent right to determine its legal status, Russia contends that the republic's status is defined according to a joint reading of both federal and republican constitutions. Third, each constitution provides for the supremacy of its own provisions<sup>1</sup>[74]

It was former President Yeltsin who first offered self-rule and self-management for Tatarstan. Since that time, different interpretations of sovereignty have appeared: "taxation sovereignty", "economic sovereignty", "double sovereignty", "shared sovereignty", "distributed sovereignty", "divided sovereignty", etc. Most of these intellectual inventions are subjects to different interpretations and open for further discussions. None of them should be taken for granted, because these are not legal, but basically political issues.

### **2.2.1. Tatarstan's Approaches**

From the very beginning there was always a great deal of uncertainty with regard to Tatarstani sovereignty. Mikhail Stoliarov, the first deputy of the representative of Tatarstan Republic in the Russian Federation, assumes that in the federal state there is no single and indivisible sovereignty in the traditional sense, since under federalism there might be "cohabitation" of multiple sovereignties, as determined by the voluntary transfers of powers between the central and the regional governments<sup>2</sup>. Farid Mukhametshin, the chairman of the State Council of Tatarstan, insists that the relations between Tatarstan and the Russian Federation are those between two states<sup>3</sup>[76]. President Shaimiev himself interprets sovereignty as "the right to act autonomously within the framework of proper prerogatives"<sup>4</sup>[77]. In his view, since "it would be too short-sighted to claim for full independence", Tatarstan is ready to accept that it voluntarily becomes a member of the Russian Federation and transfers to the federal center the right to decide on such issues as the federal foreign policy, war and peace issues, international treaties of the Russian Federation<sup>5</sup>[78]. This is what is baptized by Shaimiev himself as "moderate sovereignty", that one which has neither anti-Russian nor secessionist background, and which even recognizes the functions of the federal authorities as "strategic planning"<sup>6</sup>[79]

What we see here is clear mix of legal and political approaches. Legal purity had never been the highest priority for Tatarstan<sup>7</sup>[80]. What was most important is to maintain certain level of controversy and even conflictuality with the federal center in order to strengthen its bargaining power and find excuses for eventual failures in its own policies.

The durability of all legal irregularities and imperfections mentioned above might be explained by the fact that neither of two parts – the federal center and the republic of Tatarstan – was interested in establishing clear and transparent mechanism of relationship. Both parts were wishing to leave as much room for "under-the-carpet" bargaining and personal deals as possible<sup>8</sup>[81]

---

It is true that Tatarstan quite succeeded in informally lobbying its interests using a variety of political arguments. Not all of them however are in good tune with each other, and almost all are open to multiple interpretations. Thus, Shakir Yagudin, the Law Department Chairman in the State Council of Tatarstan interprets the legal uncertainties in such a way that this republic is “the state within the state”<sup>9[82]</sup>. Describing its nature, President Shaimiev defines it as “the state of all peoples living in our territory”, and simultaneously as “the state of Tatars”<sup>10[83]</sup>. He wants independent powers but pledges not to undermine the unity of Russia. Presenting himself as a federalist, Shaimiev opts in fact for the “union state with the elements of confederation”<sup>11[84]</sup>. He is in favor of raising the status of Russian oblasts within the federation, but opposes granting the oblasts the same rights as the republics enjoy<sup>12[85]</sup>. In our view, all these statements are based on political symbolism rather than on targeting the real issues Tatarstan has to face.

### **2.2.2. Federal Policies**

Not less controversial is the federal center stand. The Constitutional Court of the Russian Federation had ruled that the recognition of the Tatarstani statehood does not necessarily imply the recognition of its sovereignty. The statehood, in the Constitutional Court interpretation, only reflects certain peculiarities of Tatarstan’s legal status, as related to historical, ethnic and other legacies. In reference to 1992 referendum, the Constitutional Court argued that it was illegitimate to formulate that Tatarstan is the subject of international law.

Sergey Shakhrai, one of Boris Yeltsin’s top political advisers, uses different explanatory markers assuming that having elected their representatives to the State Duma and voted in all-Russian presidential elections, the people of Tatarstan de facto recognizes the sovereignty of the Russian Federation over the territory of Tatarstan<sup>13[86]</sup>. Shakhrai, one of key political figures in charge of drafting Moscow - Kazan’ agreement of 1994, reinterpreted “associated status” of Tatarstan not in terms of state-to-state relations (as authorities in Kazan’ did) but rather as a kind of “natural association” going back to the middle ages. Associated relations are treated as those of historical alliance of Tatars and Russians, united organically by the very nature of vicinity and multiple communications<sup>14[87]</sup>.

As to legal part of the story, according to the Federal Law of January 1999 “On coordination of international and foreign economic activity of Russian Federation’s constituent parts”, Russian regions can’t sign agreements with foreign central authorities unless Russia’s government approves them. This provision formally runs against the power-sharing treaty between Russian Federation and Tatarstan. The Constitutional Court of Russia has issued two statements on Tatarstan: that ones of 13 March 1992 and 17 June 2000, which indicated – in defiance of multiple documents signed between Moscow and Kazan’ - that laws proclaiming Tatarstan’s sovereign status were unconstitutional.

Despite all these inconsistencies from both parties involved, it is important that from the very beginning of 1990s sovereignty was seen in Kazan’ as a process to be developed on ad-hoc basis. In Shaimiev’s words, “we don’t think the sovereignty is an absolute, neither we push it

---

forcefully in those directions where there is no way to come – for example, in defense or financial matters. Should the circumstances change, we shall react”<sup>15/88]</sup> Again, this is a good example of purely political approach to solving the legal controversy. Rafael Khakim has explicitly acknowledged that „we were independent only one day we have proclaimed the sovereignty, yet next morning we have started the process of self-restriction”<sup>16/89]</sup>. Here is the core difference between Tatarstan and Chechnia: the former is eager to achieve the “free hands policy” within the federation, while the latter was aimed at “running away” from Russia.

Tatarstan’s strategy might be called a piecemeal sovereignty. What Tatarstan proposes – and the federal center might easily accept - is the set of key points:

- recognition of its partial (limited) sovereignty;
- further delineation of responsibilities between the republic and the federal center;
- in case of legal conflicts between the republic and the federal center, priority should be given to the legal norms of that party which is in charge of the question under consideration<sup>17/90]</sup>.

This is exactly the agenda for negotiations between Tatarstan and the federal center under President Putin presidency. We are turning to this issue in the next section.

### **2.3. Sovereignty Under Question: Tatarstan within the Context of Putin’s Reforms**

Putin’s centralization policy had directly affected Tatarstan in many ways. On June 27, 2000 the Constitutional Court of the Russian Federation had questioned the sovereign status of the republic. On June 2001, the Supreme Qualification College of the Judges of Russia has issued a warning statement to the Chairman of the Supreme Court of Tatarstan Gennady Baranov for his failure to fulfill the Russian legislation<sup>18/91]</sup>. Sergey Kirienko, the presidential envoy in the Volga Federal District, has questioned Shaimiev’s ambition to represent the interests of all Tatars of Russia (alluding that the majority of Tatars live beyond the republic)<sup>19/92]</sup>. The Customs Board of Tatarstan was rearranged and subordinated to the Volga Customs authorities<sup>20/93]</sup>. Vladimir Zorin, deputy presidential representative in VFD, has challenged the abilities of Tatarstani ethnic policies positing that “there are a number of problems that the confessions are unable to solve by themselves”<sup>21/94]</sup>, without interference of the central government.

In May 2000 with the start of the territorial reform Vladimir Putin has announced that the first task of Presidential envoys in the federal districts would be to bring local laws into line with the federal ones. The Commission on revising the Tatarstani legislation had started its work on September 11, 2000. Initially the deadline was set for December 31, 2000, yet for Tatarstan and Bashkortostan, the two republics with the greatest number of laws which didn’t conform to federal ones, this period was prolonged up to March 9, 2001.

---

The process of legal equalizing turned out to be an uneasy enterprise. Thus, both Constitutional and Supreme Courts of Tatarstan had harshly criticized the appeal of the deputy prosecutor general in VFD Alexander Zviagintsev who urged to cancel 40 articles of the Constitution of Tatarstan which, in his opinion, contradict the Russian legislation. Yet the Russian Supreme Court insists that its Tatarstani counterpart has to take decision on this issue<sup>22[95]</sup> Moreover, the Constitutional Court of the Russian Federation had stated that the most recent election to the State Council of Tatarstan were held with violations of the national laws, which in fact questions the legitimacy of the Tatarstani parliament<sup>23[96]</sup>.

To counter-react, Tatarstani leaders have issued a number of statements. The first reaction to Putin's initiatives was rather furious. For example, Marat Galeev, the member of the State Council of Tatarstan, has called the whole federal reform unfeasible and conducive to violations of current legislation<sup>24[97]</sup>.

Yet President Shaimiev has shown more moderation. He expressed his strong support of keeping intact the power sharing agreement, alluding that there are no other documents that legally frame Tatarstan's association with Russia. His thesis is that without the treaties between the federal center and the regions Russia would be a unitary state<sup>25[98]</sup>.

Later on, Shaimiev came up with proposal to amend the Russian Constitution in a way that would change the rules regulating the formation of electoral districts. The most important thing is that Tatarstani authorities are eager to do away with the clause which disallows more than 10% difference in terms of population between the electoral districts. The speaker of the State Council of Tatarstan Farid Mukhametshin looks for support from other ethnic republic (in particular, Adygeia and Dagestan) that are not satisfied with "ten-per-cent" clause because it makes impossible to form electoral districts based on ethnic background<sup>26[99]</sup>. Ethnic electoral districts, as many in Tatarstan deem, might avoid turning political campaigning into inter-ethnic clashes, and keep the voters' choice in the framework of one ethnic group. Understanding that this arrangement is a clear departure from democratic procedures, Tatarstani political experts concede that this is a precondition for ethnic peace in the republic<sup>27[100]</sup>. In exchange for acceptance of its legislative proposal, Tatarstan is ready to negotiate further removing from its Constitution articles on republic's sovereignty and international actorship.

A number of other concessions to the federal center have been made as well. Politically, Shaimiev has agreed to introduce bicameral model of the State Council, thus allowing opposition forces to get their seats in its lower house<sup>28[101]</sup>. In fall 2000 he also supported Putin in reintroducing the Soviet-era anthem. In the economic area, for the first time in the whole decade, 2001 budget of Tatarstan was drafted in accordance to the national tax legislation, which led to abolishing of certain local taxes and channeling 60 percent of its revenues to the federal budget, as all other regions of Russia. In exchange, the federal government has agreed to co-fund some projects that used to be funded out of republican means<sup>29[102]</sup>.

---

These facts clearly testify that the political elite basically shows a great deal of soberness and moderation, and strategically looks for political settlement of their disagreements with the federal center. Starting from fall 2000, Shaimiev prefers to speak about “self-sufficient” (not “sovereign”) Tatarstan. “The offices of federal agencies have begun to open in Kazan’, and Moscow has reimposed control over tax collection and spending. The introduction of teaching using the Latin alphabet has been postponed, with existing projects labeled experimental”<sup>30[103]</sup>. The Communication Board of Tatarstan was rearranged as the federal unit<sup>31[104]</sup>. Some local experts have started discussing conditions of Tatarstan’s entry into an enlarged region, should the federal center take this decision<sup>32[105]</sup>. In Shaimiev’s view, there was sufficient space for bargaining with the federal authorities. This strategy of accommodation was reinforced by political messages he was receiving from Moscow, basically signaling that President Putin is not intended to unseat Shaimiev.

Tatarstani authorities are looking for political compromises based on assumption that all changes in the Constitutions of republics (including Tatarstan) have to be complemented by adequate revisions of the federal Constitution<sup>33[106]</sup>. Yet Tatarstan seems to be unwilling to give up its conviction that Russia has to remain asymmetrical federation and needs the Chamber of Nationalities as a part of its parliament <sup>34[107]</sup>. Shaimiev remain strong supporter of keeping the heads of the subjects of federations popularly elected, while in his view the heads of the municipal units have to be appointed<sup>35[108]</sup>.

Also Tatarstan does not want to give up its reservations concerning the territorial reform. Shaimiev is one of the most vociferous critics of the withdrawal of the regional leaders from the Council of Federation<sup>36[109]</sup>. In an attempt to start publicly debating the effectiveness of new regional division of Russia, Mintimir Shaimiev had announced the idea of dividing each of the federal districts into several territorial entities each comprising 2 or 3 subjects of federation. In his opinion, 15 “small regions” within one federal district (the case of VDF) is too many. To develop further these ideas, in April 2001 Farid Mukhametshin came up with the proposal to officially allow the “donor” regions (those giving to the federal budget more than they receive) to have under their financial patronage a number of adjacent weaker provinces. These regional groupings centered around several leaders (including Tatarstan itself) could be nuclei of future new regional agglomerations in Russia<sup>37[110]</sup>.

Mintimir Shaimiev is still the political figure the federal authorities have to take probably more seriously than most other regional chieftains (President Putin has publicly confessed that it was Shaimiev to whom he first offered the post of the head of the VFD<sup>38[111]</sup>). In opinion of Professor Vladimir Razuvaev, “in the light of Taliban successes in Afghanistan and possible ‘domino reaction’ all across Central Asia, Moscow treats Shaimiev as a much needed leader that could have been used as a barrier to religious extremism and political destabilization”<sup>39[112]</sup>. As a symbol of easing tensions between Tatarstan and

---

Russia<sup>40</sup>[113], president Shaimiev was appointed the member of the 7-governor presidency of the newly created State Council. In the State Council Mr. Shaimiev chaired the ad-hoc group on elaboration of power-sharing in the joint-jurisdiction issues of the Russian Federation and the regions. On the whole, the main aim of his project was to further redistribute concurrent powers between federal and regional authorities. Yet the Kremlin's reaction to Shaimiev Report to the State Council was quite revealing: it was withdrawn from the agenda on a short notice and substituted by another issue<sup>41</sup>[114], which was an indication that the federal center is still unready to discuss these issues in depth.

The good news for Tatarstan was that the federal center found out that there were regional laws (like the Tatarstan's Land Code<sup>42</sup>[115]) that were either better than the federal ones or unique. Sergei Kirienko, the representative of the Russian President in the Volga Federal District, has consented that it's necessary to use regional experience and make amendments or adopt new laws on the federal level. This is a good example of the regions' ability to influence the federal policy and law making.

On several occasions, Kirienko has given high appraisals to Tatarstani authorities. In his words, one day there will be a monument of Shaimiev built up<sup>43</sup>[116]. In a conciliatory manner he admitted that the tax privileges obtained by Tatarstan from the federal center, were properly used for the sake of republic's economy<sup>44</sup>[117]. Kirienko praised Tatarstani authorities for their understanding of the need to build up "integration chains" with other regions in order to be competitive abroad<sup>45</sup>[118]. He compared Tatarstan with the corporation based on strict vertical subordination inside, but competing rather effectively with other political and economic actors, using a variety of legitimate means. "I am not saying this was the right thing to do; what I am saying is that it worked", Kirienko has stated<sup>46</sup>[119]. At the same time, Kirienko was quite explicit in terming the Tatarstani demand for introducing "nationality" rubric in the new passports as "violation of human rights"<sup>47</sup>[120]: in his view, in a democratic society people are not supposed to indicate their ethnic affiliation on a mandatory basis.

Nevertheless, the intellectuals in Tatarstan expressed great concerns regarding President Putin's intentions to subdue the regions<sup>48</sup>[121]. The very establishment of the federal districts was put under question mark, since local experts argued that the federal government always possessed of adequate instruments to oversight the regions (courts, Ministry of Justice, etc.), and there is no guarantee that Putin's system would work much better.

---



### **Part 3.**

## **BORDER CHALLENGES AND OPPORTUNITIES: THE CASE OF ORENBURG OBLAST**

Orenburg oblast is the case of Russia's border regions. Hence, its main international capital is that of trans-border interactions.

Trans-border cooperation is treated by the Council of Europe Convention of 1980 as any joint activity undertaken in order to enforce neighbor contacts between communities and territorial authorities of two or more parties. In a narrow sense, trans-border cooperation implies mutually fruitful linkages between immediate neighbors and is widely viewed internationally as the key step toward the integration process.

On the one hand, it performs the role of frontier guards, or barriers that defend Russian military, economic and political security. An exclusive neighborhood "marks the limit of the milieu, the beginning of an alien area, often conceived as strange and full of perils"<sup>49[122]</sup> which results very often in practical conflicts over the delineation of land claimed by two parties. Lack of full-blooded borders converted Orenburg oblast into a paradise for illegal immigrants from the neighboring areas. This was a matter of insistent concern from the part of Russian security services claiming that the lack of adequate law enforcement mechanisms entails all-Russian security problems (illegal border crossing, smuggling, etc.). Regional elites are usually forced to solve themselves - with no sufficient aid from Moscow - problems of illegal immigration, fortification of borders, security issues, customs regulations, anti-crime measures.

Yet, as we have said earlier, Orenburg oblast may also play the role of "contact region", as opposed to "border barriers". Vladimir Zorin, deputy representative of the President in VFD, has called Orenburg „Russia's bridge between West and East"<sup>50[123]</sup>. It might be depicted as "open border" region, where the function of contact with foreign territories, and not that of separation from them, is predominant. This is one of the messages that are quite legible in the Foreign Policy Doctrines of the Russian Federation that underlines the importance of trans-border relations with former USSR republics, including Kazakhstan.

All mentioned above brings us to analysing the case of Orenburg Oblast' internationalization as a peculiar mix of challenges and opportunities.

### **3.1. Opportunities**

*The first* is that frontier location and geographical vicinity to foreign countries increase the possibilities of bargaining with the federal center: requesting additional financial resources in compensation for border control, demanding direct access to revenues from customs duties, etc.

*Second*, Orenburg oblast, as other border regions, has a special legislative status on the federal level for developing overseas contacts, apart from bilateral agreements. These legal acts include trans-border cooperation agreements signed between the government of Russia

---

and Kazakhstan (January 1995), Intergovernmental Agreement between Russia, Belarus, Kazakhstan and Kirgizia on basic principles of transborder cooperation, signed in February 1999, as well as Recommendations of the 8<sup>th</sup> Session of the Advisory Council of the Subjects of the Federation at the Ministry of Foreign Affairs in the area of trans-border cooperation, issued in June 1998<sup>51[124]</sup>.

*Third*, trans-border economic interaction encourages trade and investment relations (e.g., “investment corridors”), and (unlike GATT and WTO) does not require the reciprocity<sup>52[125]</sup>. What is also important is that the border regions are subjects of international transit business, still underestimated (experts of President Putin’s think tank assume that the transportation networks might raise seven or eight times more revenues than at present)<sup>53[126]</sup>.

Trans-border regionalism in Orenburg oblast gives a good illustration of the changing nature of the contemporary borders that stems from two basic processes: one is domestic (the self-determination of regions in a new international ambit), and the second is external (global reshaping of the world geopolitical scene). Both developments lead to growing mobility, flexibility and transparency of traditional frontiers. As Chris Brown put it, “the possibility of a genuinely global economy clearly raises the issue of ‘borders’ to the top of the agenda – hence the notion of a ‘borderless world’ and ‘de-bordering’”<sup>54[127]</sup>.

### 3.2. Challenges

Yet cross-border cooperation is a very fragile phenomenon in Orenburg oblast. Its vulnerability stems from a number of factors.

*First*, this region is located on the fringes of civilized areas. Kazakhstan considers itself culturally different from Russia, which fuels isolationist attitudes from them. Trans-border interface is overwhelmed with ethnic, religious and cultural gaps.

*Second*, Orenburg oblast – to a greater extent than inland territories of VFD – has to deal with immigration. Experts deem that migrants inflow to Orenburg oblast will persist in the forthcoming future, and direct contacts with the outside world will further sharpen the problem of regional cultural identity, since negative perceptions of migration are also mainly cultural.

*Third*, authorities in the Orenburg oblast have to tackle, on a regular basis, the “dark side” of internationalisation – crime, illegal hunting, border-crossing or smuggling (drugs, guns, undeclared cash, etc.). As a result, security services in border regions have to perform protective functions and shield off those threats stemming from their frontier location.

*Fourth*, one of the vulnerabilities of the Orenburg oblast stems from its heavy dependence on policies of the federal government. Valentin Stepankov, deputy representative of the President in VFD, was quite explicit in saying that non-protected border is the cause of illegal

migration and religious extremists. In the meanwhile, because of weak border protection Russia loses raw materials, food, stolen cars and other contraband items<sup>55[128]</sup>.

There is a number of most acute border security problems:

- Lack of federal resources for adequately protecting the border. In practice, this is the regional administration who provide frontier troops with housing, transportation, energy supply, and building or overhauling frontier posts.
- Substantial increase of the geographical area to be covered by frontier guards. According to Vladimir Egorov, Volga Customs director, one of the problems is that customs offices are located far away from border-crossing stations. The second troubling issue he addressed is the practice of recruiting customs officers among local population which increases possibilities for corruption.
- Weak coordination between customs service, border-guards and railway authorities in preventing smuggling and other illegal actions.
- Ethnic and religious extremism.
- Uncertainty of Cossacks' role in regional security arrangements. Before the 1917 Revolution Cossack units were quite instrumental in keeping order in the most dangerous and permeable zones of the state border. The current Russian government is not inimical to the revival of Cossack settlements, but they can hardly be considered as a substitute to the regular troops. The fears are that regional Cossack regiments could become out of control and side up with nationalist forces.

In Orenburg oblast Cossack units are in charge of pre-service training exercises of young men, and providing them with material allowance. In recent years Cossacks have started elaborating projects in education, environment, culture, trade and investments.

Ramil Mullaiaimov, chief of South-Eastern regional department of the Federal Border Service, have said that this agency conducted an experiment with changing regular border-guarding troops to non-military units, yet it failed to bring positive results<sup>56[129]</sup>. Generally speaking, activities of Cossack units in border territories claiming to play more significant role in defending the border is a highly controversial issue. From one hand, the whole set of border-related matters can't be solved without involving local population, including Cossacks as its most organized force. The Cossacks have their own - inherited from the past centuries - system of inspecting the borderland, which could compliment other security appliances (barbed wire, electronic alarm system, etc.). Yet on the other hand, by law Cossacks (as well as other self-ruled groups) are not supposed to participate in protecting the state border. Among factors that complicate interaction between the Cossack units and frontier-guards are widely spread among Cossacks nationalist and jingoist feelings, numerous complains from the local population accusing the Cossacks in extortion, and internal conflicts in the Cossack communities<sup>57[130]</sup>.

Because of all these problems the Orenburg oblast still failed to benefit from the opportunities that it has, and get rid of the "periphery complex", inherited from the past<sup>58[131]</sup>. Foreign investments are still in a deficit in this border region. There is no conceptual clarity

---

whether regional authorities should further strengthen immigration control or open up regional markets for foreigners<sup>59[132]</sup>.

Orenburg case also shows the deficiencies of the federal level policies. As Mikhail Alexseev rightly put it, the Russian government has failed to develop a coherent strategy for taking advantage of its border territories' newly found potential for integration into the world economy. In its foreign policy concept, Kremlin did not emulate the strategies of devolution, subsidiarity, and trans-border regionalism that underwrote successful economic and political integration in Europe. Transit corridors and tourism projects have not become strategic priority in such potentially gateway regions as Orenburg oblast.

What is more, while discounting the economic benefits of internationalizing Russian economy through the "gateway regions", Moscow amplified concerns over security matters<sup>60[133]</sup>. Thus, A.Scherbakov, deputy director of the Federal Border Service, gives an overextended interpretation of border security paradigm in Russia, referring to topicality and urgency of such challenged as "destruction of core political values", "widening of social groups involved in illicit trans-border operations", uncontrollable outflow of intellectual and cultural resources abroad", and "loss of community solidarity"<sup>61[134]</sup>. Some commentators think that neighboring Kazakhstan is a "translator" of nationalistic feelings to the neighboring Russian territories<sup>62[135]</sup>.

To sum up, Orenburg oblast exemplifies two types of trans-border regionalism, and two different versions of neighborhoods: an exclusive and an inclusive one.

#### **Part 4.**

#### **APPLYING INTERNATIONAL STRATEGIES IN THE VOLGA FEDERAL DISTRICT: RESULTS AND EFFECTIVENESS**

The impact of the federal districts on Russia's external relations might be traced in the following ways. *First*, it is hoped that presidential representatives would have to make heads of the subjects of federation more law-obedient in a whole spectrum of issues related to foreign economic relations. *Secondly*, since the concept of the federal districts is aimed at concentration of resources, the weakest subjects of the federation will be marginalized and will have to leave the sphere of active international relations. *Thirdly*, there might be more interdependency between the subjects of the federation constituting a single federal district in a number of specific areas like transportation networks, border security, migration policy, etc. In some cases "the larger regions" seek to contribute to peace enforcing and soothe the whole bunch of security-related matters. *Fourthly*, the concept of cultural integration is being put forward. Sergey Kirienko, for example, noted that the territorial area of responsibility of Russia's leaders, both national and subnational, is defined not by administrative borders but rather by cultural factors (he refers to the "area within which people think and speak Russian"<sup>63[136]</sup>).

---

#### 4.1. Social exchange theory

External factors influencing domestic transition might be exemplified in both ideas and institutions. Both might have positive as well as negative consequences for transitory states.

There are different forms of external influence over transitory states:

- influence by consent (the bulk of educational exchanges fall into this category). Examples are multiple: the presidential representative in VFD has politically supported the four-year project on "Implementing and Dissemination of Successful Models of Reforms in the Cities of VFD"<sup>64[137]</sup>. In Nizhny Novgorod oblast, the Center for Social Adaptation of Military Officers was launched as a result of Soros Foundation agreement with the local governor<sup>65[138]</sup>. In the city of Dzerzhinsk the trilateral consortium on chemical weapons liquidation was established to include the Tacis program, the federal Ministry of Economics, and the administration of Nizhny Novgorod oblast<sup>66[139]</sup>. Open Society Institute, with full support of municipal and regional authorities, has launched a number of projects such as founding of the pioneering in Russia Center "Childhood Without Violence and Cruelty", or opening of the first in Russia Internet Center for blind students<sup>67[140]</sup>.
- influence by conditionality which is a form of outside pressure (from economic to moral one)<sup>68[141]</sup>. In this sense, foreign aid might be treated as a form of "symbolic domination"<sup>69[142]</sup>. For example, U.S. companies are eager to invest into Russian high tech industry (for example, Sarov nuclear center in Nizhny Novgorod oblast) provided that: a) local scientists abstain from working on upgrading military technologies and producing more sophisticated weaponry, and b) non-military merchandise get market success<sup>70[143]</sup>. By the same token, some Russian analysts deem that U.S. non-governmental institutions working in Russia actively contribute to achieving American long-term strategic goals of creating pro-American lobbies in Russian institutions, both federal and regional<sup>71[144]</sup>.

Social exchange theory is a good tool to study the communication between: a) international donors, b) regional recipients, and c) their opponents. By definition, relations within this "triangle" are asymmetric.

We can't anticipate that international donors' actions might have immediate effect on the regional recipients. There is a difference between "a highly contingent action" (one which is only taken in quick response to an action by another) and "a less contingent action" (one which takes place after a lengthy time span – for example, sending a market consultant to

---

Russian enterprise<sup>72[145]</sup>). Also important is that longer time horizons lead to less immediate contingency: "an actor with a higher tolerance for risk is likely to be relatively less concerned about precise equivalence or immediate contingency than an actor with lower risk-taking preference"<sup>73[146]</sup>.

## 4.2. Cognitive Interaction

Communicable knowledge is expertise that can be transmitted from one institution to another. Knowledge transfer is important because it creates incentives for policy changes and invests in human capital formation. As Douglas North puts it, the way in which knowledge develops influences the perceptions people have about the world and hence influences the costs of contracting. People's perceptions that the structure of rules is fair reduce costs; vice versa, their perceptions that the system is unjust raises the costs of contracting<sup>74[147]</sup>.

Competitiveness of regions is determined by their ability to organize learning process. Learning is successful if the dominant actors have adjusted their potentials to challenge conditions and are better positioned to cope with them. Learning depends on path development and accessibility of "tacit knowledge".

Arthur Benz and Dietrich Furst deem that "organization of regional governance is the decisive variable to explain the learning capacity of a region"<sup>75[148]</sup>. In my view, non-governmental institutions also have to be taken into account.

The process of learning takes place on several levels:

- cognitive level. Here we find a plethora of actors working with information, ideas, orientations and attitudes.
- political level ("policy transfer");
- institutional level where actors communicate with each other and form networks (coalitions).

A good illustration of this track is USAID assistance to Russian think tanks. Problems are multiple in this domain.

*First*, it is highly debatable who in Russia has to be supported. Management Systems International (MSI) suggests to "make grants only to institutions". On the one hand, one may agree that grants to individuals are unlikely to foster the development of a viable think tank industry<sup>76[149]</sup>. Yet on the other hand, institutional grants usually serve to strengthen the administrative elite of the given University, with scarce incentives given to middle-level specialists. Clear bias towards making financial commitments to the institutions is a result of lobbying efforts of Ministry of Education, which reflects the corporate interests of University administrations eager to gain "administrative rent" on working with foreign funds. These are mainly University administrations that are not interested in fostering small-group and/or individual research.

---

*The second* problematic issue is that in terms of effectiveness, the widely spread practice of distributing grant funds beyond open competitions seems to be very controversial. Many foreign grant makers are known for disbursing their budgets to a narrow circle of the Russian recipients on the basis of existing partnership. Of course, this type of sponsorship might be convenient and technically easy, but it provokes a number of negative side effects:

- Russian institutions that are not admitted into a narrow circle of exclusive partners treat this scheme as a non-transparent one, and have all reasons to feel themselves marginalized and disadvantaged;
- Criteria of supporting projects are subject to personal relations between a limited group of people;
- The quality of projects resulting from non-competitive procedures tends to decrease because their managers are not sufficiently concerned about raising academic standards.

*Thirdly*, international assistance funds are frequently, in fact, in Russian hands. For example, foreign grant-making institutions have delegated to the VFD authorities the function of working with the applicants to the annual Fair of Social Projects “Togliatti-2002”. The MION project (aimed at establishing multiple resource centers in provincial Universities), funded by foreign donors, is being formally conducted under the official umbrella of the Ministry of Education of the Russian Federation.

It might be argued of course that “host country organizations have a better understanding of local conditions and practices”<sup>77[150]</sup>. It also might be expected that deeper involvement of the official structures might eventually give birth to emerging concept of effectiveness that would meet the needs of both Russian and foreign actors. Yet the practice of transferring to Russian institutions important managerial functions might be a problem, since Russian institutions and individuals usually are not free of pre-given perceptions and stereotypes. They might have their pre-existing commitments and corporate links. Seemingly, this is a wishful thinking to anticipate that “the fact that the program is administered chiefly by Russian professionals and staff... serve to strengthen Russian groups”<sup>78[151]</sup>. It might be the other way around: a Russian administrator might select the team based on very personal and subjective criteria (such as ideological consonance or affiliation with those structures that are important for sustaining corporate interests of the Russian team leader).

The tendency of diminishing the funds allocated for individual grant projects is also disturbing. Management Systems International (MSI) report suggests that “competent individuals who want to participate in the program can affiliate with a Russian analytical group to do so”<sup>79[152]</sup>. However it must be kept in mind again that Russian academic milieu is very corporatist and clan-like, which makes extremely difficult that kind of affiliation which is proposed. Invitation to participate in a project is usually made on a very selective yet non-transparent basis, hence the entry into the field is an extremely difficult task. It is not rare that institutions that have succeeded in getting a foreign grant, are not pursuing networking strategic in local milieu. Perhaps, one of illustrative examples in Nizhny Novgorod was the local Law Institute at the Ministry of Interior which received a U.S. corporate grant (Amerald

---

Group) for studying corruption practices. All attempts of outside scholars, including the author of this paper, to get information on the state of the project, have failed.

*Fourthly*, by American standards, most regional policy research institutions "are something of a cross between a think tank and a consulting firm". MSI report has found out that one of major inhibitions for Russian "think tanks" development is that few of them are advocating for policy changes. The deeper Russian recipients are to be involved in public actions aimed at influencing policy process and opinion makers, the more chances that the foreign grant makers will be accused in interfering the domestic affairs.

### 4.3. Criteria of effectiveness

In order to develop the assessing tools, we have to clearly distinguish between two types of international projects. The first type comprises those of *socio-humanitarian* background. Criteria to be applied for judging on how effective the efforts of international partnership were are *value-based*:

- social scope of beneficiaries (which groups in the society take advantage of the projects);
- deeper involvement of citizens into community affairs.
- socio-psychological effects (have the target groups experienced the feelings of greater safety and societal security). For example, the Center for Children's Social Rehabilitation was established in 2002 in Nizhny Novgorod with the financial assistance of the Danish Red Cross and a number of U.S.-based religious groups<sup>80[153]</sup>.
- increased investments in human and intellectual capital<sup>81[154]</sup>. A group of experts has revealed that "spillovers in higher educated regions are higher than in less educated ones"<sup>82[155]</sup>.
- changes in functioning of participating institutions. Foreign aid might be a meaningful catalyst for political change<sup>83[156]</sup> and foster accountability and transparency of local bureaucracies<sup>84[157]</sup>. It is quite telling that in 2002 the International Financial Corporation and the World Bank have launched a new project in Nizhny Novgorod aimed at easing of administrative regulations. It is widely recognized that the local bureaucracies are major protectionists, favouring local business and disadvantaging outsiders by introducing unjustifiable bans, making the businessmen purchase additional licenses, or inventing local payments<sup>85[158]</sup>. Most valuable are those projects aimed at modifying the functioning of the least reformed and most red-tape institutions. For example, Nizhny Novgorod was the first Russia's city to become a home to experiment aimed at shortening the terms of pre-court detention. The project was supported by "Hope" Institute from New York<sup>86[159]</sup>.
- consolidation of democratic practices, including: a) identification and promotion of those groups in the society that are prone to forming pluralist liberal principles of political order; b) limitation of the roles of radicals in the process of setting the

---



regional democratic order<sup>87[160]</sup>. Of course, exaggerated anticipations might turn misplaced: there are no convincing proves that economic aid has clear impact on the human rights practices of recipient governments<sup>88[161]</sup>. Yet what could have been achieved is incentives<sup>89[162]</sup>.

Greater compatibility with international norms. The most illustrative example is local enterprises' voluntary acceptance of worldwide quality standards. In Nizhny Novgorod the lead was taken by local Integrated Works of Oil and Fat which was first to introduce the international quality control. The major incentive for this and other factories was to get better deals with foreign contractors<sup>90[163]</sup>.

- appearance of new ways of receiving and processing information;
- appearance of new forms of social and cultural self-realization.

What is peculiar in networking resources is that they are indivisible (it can't be split apart and divided among all parties involved) and spread all across the partnership (it can't be exclusively managed by a single participant<sup>91[164]</sup>). Networking divests the state of its formerly unchallenged status of exclusive decision maker, and pushes the state bureaucracy to get into dialogue with groups of experts and community leaders<sup>92[165]</sup>.

Networking is important in coalition building projects. One of examples is creation of coalition "For Alternative Civil Service" encompassing a number of VFD regions (Nizhny Novgorod, Ulianovsk, Perm, etc). Emergence of synergetic effect based on appearance of gravitation poles of different initiatives in regional communities; and availability of sufficient number of highly motivated grant recipients<sup>93[166]</sup>.

As for *commercial and business* projects, criteria assessing their relevance have to be *interest-based* and include a different type of indicators:

- possibilities for mobilizing new resources. Thus, ISCRA (Investment Support Centers in Russia) program, jointly operated by U.K. and Russia, has launched in Nizhny Novgorod a project on increasing enterprises' profitability<sup>94[167]</sup>.
- program's impact on labour market;
- stimulation of changes in consumption behaviour;
- appearance of new services.

Experts of the Moscow-based Centre for Economic and Financial Research have discovered a number of correlations that characterize the impact of foreign capital upon the regional business milieu:

- foreign entry into regional markets increases competition, thus forcing domestic firms to restructure faster, both improving technological processes and corporate government;
-

- too small a foreign share (below 30%) provides little productivity advantage over domestically-owned firms;
- intervention of local authorities in restructuring of foreign-owned firms can scare off investors;
- small firms, with less than 200 employees, are negatively affected by the entry of foreign firms, while total factor productivity of firms with 200-1000 workers goes up with an increase in the share of foreign presence in the industry<sup>95[168]</sup>.

The interpretative problems are however still there. For example, the World Bank study has called for elimination of non-tariff protection given to specific regional markets inside Russia<sup>96[169]</sup>. Yet another study has found out that "multinationals tend to invest into more tariff-protected regions, and choose the region with high local degree of market monopolization"<sup>97[170]</sup> (in VFD the most suggestive example would be Tatarstan).

Also very controversial is World bank report's suggestion to refrain from creating of "priority sectors or projects" in regional economies<sup>98[171]</sup>. Formulated in this way, this proposal in fact deprives the regional government of economic freedom and ability to maneuver.

\*\*\*

Thus, effectiveness is an interactive, context-based – and thus highly contested – concept, both in Russia and in the West. In Russia, the search for criteria of effectiveness of international participation was heavily inhibited by a number of factors. First, Russian political class was divided: one part assumed as an axiom that the international cooperation is productive and fruitful per se, by definition; while the second group was confident that international cooperation is futile. Second, as a result of mass infusion of PR manipulative technologies, the edge between effective and ineffective became rubbed off.

In the West, political elite is also divided over this issue. In the opinion of those adhering to security paradigm, regionalization brings new problems since sub-national units might enter the sphere of security regulations and challenge Russia's international obligations in different disarmament programs. Regions are also accused in being keen to become autonomous arms traders. Yet those sharing the imperatives of democracy disagree. They are certain that regionalization opens new opportunities for creating policentric and pluralist system of governance in Russia.

Taking into account these uncertainties, it is very hard to achieve agreement on the issue of effectiveness of international programs. What is certain however is that importance of purely administrative tools is decreasing: for example, there is no way to oblige an enterprise to introduce the international quality indicators.

#### 4.4. What hinders the achievements:

a) Regional NGOs do not meet initial expectations of foreign grant makers because of a number of reasons:

- they often lack clear constituency and social audience;
- the Moscow-based institutions have more opportunities than those coming from the regions;
- regional NGOs tend to pursue individual – not collective – developmental strategies;
- NGOs struggle with each other for resources;
- A good deal of foreign resources are misused. For example, this was the case of World Bank credit aimed at environmental protection in 1995. Russia's Accounting Chamber has found out that a number of regional administrations (Rostov and Yaroslavl oblasts, Ekaterinburg and some others) have mismanaged the foreign funds. Experts have also revealed that neither of the Russian official agencies ever thought about conducting effectiveness survey of international projects<sup>99[172]</sup>.

The way the resources are being handled by Russian side proves to be a problem for foreign donors. Thus, General Accounting Office has found out that the concerns over well publicized allegation of corruption and misappropriations of U.S. food aid commodities is quite justifiable. It was stated that “the Foreign Agricultural Service did not adequately implement internal controls designed to direct, track, and verify how food aid was delivered at the regional level in Russia”<sup>100[173]</sup>.

b) It is widely believed that “Russia's problems were aggravated by bad Western advice”<sup>101[174]</sup>. Sarah Henderson deems that foreign aid designed to facilitate the growth of civil society in Russian regions has inadvertently had the opposite effect. Rather than fostering horizontal networks, small grass-roots initiatives and civic development, foreign aid contributed to the emergence of a vertical and isolated (although well-funded) civil society<sup>102[175]</sup>. Ariel Cohen of Heritage Foundation finds that massive inflow of international aid “facilitated the delay of much-needed market reforms, hindered deregulation, and allowed ‘crony’ privatization by financiers closely allied with political leaders, thus minimizing the economic efficiency of the reform”<sup>103[176]</sup>. The same conclusion is shared by Doug Bandow of Cato Institute<sup>104[177]</sup>.

Patrice McMahon, referring to gender agenda, has found that “U.S. NGOs have discouraged, rather than encouraged, women's groups from becoming the voice of the female population or an integral part of civil society”<sup>105[178]</sup>. Russian recipients, in her observations, have failed to foster domestic advocacy networks. Their dependence on the international grant makers has translated into a lack of accountability, if not interest, in grass-roots constituency building. James Richter comes to the conclusion that disproportionate amount of foreign funding in Russia's regions goes to members of the professional classes with a good international experience. There is always a danger that these non-governmental elites may capture

---

international assistance for pursuing their own agendas. On the other hand, efforts to ensure greater accountability often force local activists spend more energy meeting donors' demands than grass-roots needs<sup>106[179]</sup>.

c) We expect actors to be most innovative if influenced by developments from outside the region. However, if individual actors are externally dependent, their freedom to cooperate in regional processes is constrained.

d) Donors' attention is divided between meeting Russian needs and pleasing domestic officials. This ambiguity often leads to unjustified optimism. For example, it is well known that the reform of Russian housing sector is one of the hardest issues facing both municipal and regional authorities. Most complaints from the residents in urban areas are due to disruption of energy and hot water supply, depreciation of old real estate, etc. Surprisingly, the report submitted by CARANA Corporation to the USAID Moscow office contains a great deal of wishful thinking. It states that the U.S.-supported Russian Housing Sector Reform Project "was an extraordinarily successful" and "had a pervasive and profound effect on the direction and structure of Russia's housing and urban development reform. The reform achieved would, most likely, not have been as well conceived and legislation certainly would not have been as well framed without the HSRP"<sup>107[180]</sup>.

Project assessment is done predominantly in quantitative terms. For example, Samara and Novgorod are considered to be friendly to American investments, which makes possible for USAID to justify increasing funding for these regions. Yet most academic experts consent that "measuring the contribution to system transition in quantitative terms is virtually impossible"<sup>108[181]</sup>.

e) Steven Hook posits that U.S. government has adhered to an election-oriented conception of democracy. Peter Stavrakis' deems that the reform program endorsed by the West had a corrosive effect, neglecting or undermining the very infrastructure responsible for managing the transition<sup>109[182]</sup> (the case of Nizhny Novgorod). Alexander Domrin, a scholar from the Institute for Legislation Studies and Comparative Law, also accuses the Clinton administration policy of almost unconditional supporting the Yeltsin regime and marginalizing those political sectors in Russia that are critical to U.S. policies<sup>110[183]</sup>. Russians also tend to overemphasize the importance of "creating the layer of new Russian leaders"<sup>111[184]</sup> and ignore the institutions of democracy.

f) Also the distribution of U.S. aid was significantly related to security and economic factors which were more consistent with U.S. self-interest<sup>112[185]</sup>.

g) International financial institutions, in Peter Stavrakis' opinion, were hostile to substantial decentralization. Their reasoning stemmed from their presumption that macroeconomic reforms could have been better implemented by strengthening the powers of

---

the central government<sup>113[186]</sup>. Also, foreign NGOs operating in Russia's regions are very rarely involved in public policy debate with their critics.

## **Part 5.**

### **SECURITY DIMENSION OF REGION'S GLOBALIZATION**

Globalization has prompted a far-reaching and profound reconceptualization of security relations. Security discourse has experienced a shift in focus to a stress on culture, civilization, and identity matters; the role of ideas, norms, and values which is to be secured. Today it is generally accepted in the West that the concept of security, apart from military dimension, has also an economic, a political, a socio-cultural and potentially an ecological agendas. Security policy cannot be limited to issues directly linked to the threat and/or the use of military force by state actors. Today's conflicts are often identity-driven and are marked by a large degree of emotion and irrationality. The successful prevention and resolution of such conflicts depends less on interstate action and more on local conditions, such as problems relating to minority rights, human rights, environmental hazards, drug trafficking and organized crime. The changing nature of conflict demands more emphasis on the societal underpinnings of security<sup>114[187]</sup>. Hence, the concept of security has changed over time to include dimensions other than military strength and conflicts between states.

Thus, globalization has put under question the relevance of the old understanding of security as being related to purely military issues. Nowadays security is determined mostly by the scale of integration of the country into international institutions and processes, which is the challenge for Russian federal and regional elites.

The core problem is that Russia has adopted a neo-realist approach to international relations and their security components, which is clearly reflected by the Military Doctrine of 21 April 2000, and the Foreign Policy Concept of 10 July 2000. The state is currently perceived to be the key actor in security issues, which means that sub-federal units are not treated as instruments of security-building. There is yet no comprehensive concept of sub-national security in Russia's regions. Security analysis at the regional level is not widely used in Russia at all, yet there is growing understanding that security could be tackled regionally. This is a clear evidence of the federal center's neglect of the importance of regional actors in the security making process.

Meanwhile, in a globalized world new non-traditional sources of insecurity need to be addressed, and Russia has yet to adopt the extended concept of security to include regions as important elements of pan-Russian security architecture in order to combat and ameliorate current threats.

#### **5.1. Federal district level**

In *Volga Federal District* (VFD) the main security impetus is made on dismantling chemical weaponry. 5 out of 7 Russian chemical weapon producers and 80% of all chemical weapon

---

stocks are located in VFD, mainly in Udmurtia, Kirov and Saratov oblasts<sup>115[188]</sup>. In 2001 Sergei Kirienko, President's envoy in VFD, has received the post of the chairman of the State Commission on Chemical Disarmament.

Russia has world largest depositories of chemical weapons, totaling about 40 thousand tons. In 1997, having introduced the law on chemical disarmament and joined the international convention on chemical non-proliferation, Russia pledged to get rid of all its chemical arsenals within 10 years. In exchange the Western countries had agreed to finance some of the facilities related to practical implementation of chemical disarmament program. To honor its international obligations, Russia had to raise RUR 9 billion by 2002, which is far beyond expenses that were stipulated in the federal budget<sup>116[189]</sup>. The problem was exacerbated by the United States which had frozen their financial assistance referring to Russia's inability to raise matching funds.

Sergei Kirienko was quick to elevate chemical disarmament issues to the very top of the operational agenda of the presidential representative office in VFD. It is still too early to speculate whether this problem will be solved more effectively by sub-national (district- and region-level) authorities than on federal level.

One of the main constraints is *money*. On the one hand, Kirienko has promised to rely exclusively upon Russian technologies in dismantling chemical weapons production. On the other hand, international cooperation is critical for duly implementing the whole program. Kirienko has to use every opportunity for fundraising. Thus, he had to address directly the Queen of the Netherlands asking her for making financial contribution to chemical weapons destruction<sup>117[190]</sup>.

The first facility to reprocess the chemical is to be opened in Gorny (Saratov Oblast)<sup>118[191]</sup>. Again, international contribution plays an important role here. EU TACIS Program has funded ecological monitoring project<sup>119[192]</sup>, and all works are being done under permanent control of foreign observers<sup>120[193]</sup>.

Another important challenge is the issue of *transporting* the chemical materials. According to the Russian law, chemical stuff has to be destroyed "on spot", i.e. at the place where it was preserved. Kirienko insists that the chemical weapons might be transported either within subjects of federation, or from one subject of federation to another where the technical facilities are more adequate<sup>121[194]</sup>. Since this approach is a departure from the law, Kirienko deems that the law has to be amended or altered in as open way as possible<sup>122[195]</sup>.

The third challenge is *safety*. In Gorny, for example, there were cases of chemical leakage that immediately raised fears among local population<sup>123[196]</sup>.

---

The last but not the least, *timing* is an important issue. Kirienko is certain that Russia will be unable to meet the deadline in 2007, and needs an extension to 2012.

## 5.2. Regional level

The regions' resources could be mustered for implementing Russian foreign policy and security objectives. *First*, regional administrations patronize security infrastructure located in their territories. In particular, they:

- Decide on transferring the property of former military installations that were either moved from the regions or transformed. Thus, these were Nizhny Novgorod oblast authorities that took under their supervision the property of Airborne Division located in Istomino and High Artillery School<sup>124[197]</sup>.
- Initiate upgrading the military institutions. For example, it was the Saratov oblast governor Dmitry Aiatskov who came up with the idea of establishing – under the auspices of Defense Ministry - the Military University in this region<sup>125[198]</sup>.
- Patronize military installations and bases. Thus, Nizhny Novgorod oblast authorities financially help the submarine bearing the name of the city<sup>126[199]</sup>. In response, the naval authorities accept the draftees from the regions they are linked with. Of course, securing due financing is a problem. To upgrade of one of warships – “Ochakov” – the Nizhny Novgorod oblast administration has come up with the idea of using the funds that the federal budget owed to the region<sup>127[200]</sup>. Even regional enterprises – like GAZ car-building factory - patronize military ships and provide training facilities and courses for future draftees that are willing to serve in the Black Sea. The city districts as well have their say in security issues. In July 2000 the administration of Sovetsky city district of Nizhny Novgorod signed an agreement on cooperation with the Submarine Division of the Black Sea Fleet Headquarters providing the marines with medicaments, food, technical equipment and literature.
- Grant tax privileges to military enterprises (as implemented in Territorial and Industrial Zones in Nizhny Novgorod Oblast)<sup>128[201]</sup>.

*Second*, certain regional leaders might be useful as mediators or negotiators (formal or informal) in those cases when the Russian government either lacks official instruments or wishes to stay behind the scene. Tatarstan was particularly active in internationally advertising its peace-keeping initiatives. Rafael Khakim, political advisor to the President of Tatarstan, propagated the idea that Tatarstan might represent the interests of the Russian Federation in international Islamic organizations<sup>129[202]</sup> and thus foster security dialogue. The President of Tatarstan in 1995 (along with the Dutch Foreign Ministry, Harvard University, Carnegie Endowment, and IREX) initiated a series of round table discussions called “The Hague Initiative” aimed at finding non-violent political solutions to regional conflicts in Abkhazia (Georgia), Trans-Dniestria (Moldova), Crimea (Ukraine), and Chechnia<sup>130[203]</sup>. In particular, the principle of “delayed decision” in Chechnia was proposed by the “Hague Initiative” and later implemented in the Khasaviurt Agreements signed by Alexander Lebed

with the rebels in 1996. To maintain politically its presence in the turbulent North Caucasus area and act in parallel with foreign NGOs, the President of Tatarstan in February 1995 established the office of Tatarstan's representative in Ingushetia on humanitarian issues (medical care, food supplies, etc.).

*Third*, region-based industrial projects might have an impact on the national security as a whole. For example, Kakha Bendukidze, an owner of "United Machine Building Plants" corporation, pledged to create technological complex of enterprises located in Nizhny Novgorod, St.Petersburg, Ekaterinburg and Astrakhan' strategically aimed at providing infrastructure for exploiting and processing oil resources in the Caspian sea. In case of implementation this project might give important competitive advantages for Russian business and security interests in this area.

In Volga Federal District the pioneers of defense industry enlargement were radio-electronic enterprises that in summer 2001 have formed three corporations ("Radar", "Radiopribor" and "ATC"<sup>131[204]</sup>). Each of them is supposed to get preferential treatment from the federal government (their debts will be restructured, and the federal contracts will be secured)<sup>132[205]</sup>.

Regional industrialists call for concentration of financial and material resources in top-priority areas of applied science and industry. Kakha Bendukidze assumes that the bulk of military enterprises would be unable to build a few submarines because of the lack of well trained personnel technical backwardness.

Quite telling is the situation with those enterprises forming the core of regional military-industrial complex in Nizhny Novgorod oblast - "Lazurit" and "Krasnoe Sormovo" which produced diverse defence equipment, including much-needed - in the aftermath of the accident with "Kursk" submarine - rescue submarines "Bester" and "Priz". Due to lack of proper funds, this equipment was not upgraded since mid-1980s and nowadays is not used properly<sup>133[206]</sup>. According to "Lazurit" Director Nikolay Kvasha, the current technical possibilities of this enterprise are rather scarce: it will take about 15 years to build the new atomic submarine, and from 20 to 22 years to produce from 5 to 7 of them, provided - quite hypothetically - that there will be no deficit of federal funding<sup>134[207]</sup>. "Lenok" rescue submarine which was designed by "Lazurit", constructed in "Krasnoe Sormovo" and sent to the North Sea Fleet in 1980s, is out of order because of financial constrains, and can't be recovered<sup>135[208]</sup>.

Other examples are more promising. OKBM, major producer of atomic reactors located in Nizhny Novgorod as well, according to its director Alexander Kiriushin, was able to secure sizeable funds due to its contracts with India, China and Iran and create thousands of new jobs in Nizhny Novgorod<sup>136[209]</sup>. Sarov nuclear center had managed to diversify its civic output processing diamonds and producing wine<sup>137[210]</sup>.

---



*Fourth*, border regions are of special importance for federal security. Lack of full-blooded borders converted many of these regions to paradise for illegal immigrants from the Southern republics. This was a matter of insistent concern from the part of Russian security services claiming that the lack of adequate law enforcement mechanisms entails all-Russian security problems (illegal border-crossing, smuggling, etc.).

Valentin Stepankov, deputy representative of the President in the Volga Federal District, was quite explicit in saying that non-protected border is the cause of illegal migration and religious extremists. In the meanwhile, because of weak border protection Russia loses raw materials, food, stolen cars and other contraband items<sup>138[211]</sup>.

There is a number of most acute border security problems:

Lack of federal resources for adequately protecting the border. In practice, as it was shown earlier, these are regional administrations that provide frontier troops with housing, transportation, energy supply, and building or overhauling frontier posts.

Substantial increase of the geographical area to be covered by frontier guards. According to Vladimir Egorov, Volga Customs director, one of the problems is that customs offices are located far away from border-crossing stations. The second troubling issue he addressed is the practice of recruiting customs officers among local population which increases possibilities for corruption.

Weak coordination between customs service, border-guards and railway authorities in preventing smuggling and other illegal actions.

### **5.3. International Dimension**

Many of security problems have clear international dimensions since they are closely related to the processes developed beyond Russia's borders.

Regions themselves might become important international security actors. They have their say in implementing international disarmament and security control programs. For example, one of military installations in charge of destroying SS-18 nuclear missiles is located in Surovatikha (Nizhny Novgorod oblast). Yet destroying missiles is not purely military affair. The military base is a home to about 5 thousand persons, including officers, soldiers, contract employees and dependents, which inevitably raises a number of social issues for regional authorities. Ecological concerns are also being heard from the part of the regional administration. Commercial issues are important as well, since the metal stuff released from the missiles has to be sold to commercial firms from Moscow and Nizhny Novgorod, and the revenues used for buying houses for the officers<sup>139[212]</sup>.

The international changes have touched the so called "closed cities". US Department of Energy in 1998 launched a Nuclear Cities Initiative (NCI) with the goal of creating commercial job and economic diversification in the ten closed cities that form the core of Russia's nuclear weapons complex to accommodate the loss of employment in this sector of military industry. These cities (like Sarov in Nizhny Novgorod oblast) are critical to the design, construction, testing, and production of Russia's nuclear weapons arsenal. Their basic problem is that their authorities are stuck in isolated communities and do not understand the basics of market economy. NCI is serving as a bridge between these cities and industry, and

---

facilitating the creation of commercial enterprises by engaging private industry to help develop partnership<sup>140[213]</sup>.

There are some security related projects funded by EU TACIS programs (NIIS Institute, Nizhny Novgorod)<sup>141[214]</sup>. Bretagne province of France has launched cooperation program with Nizhny Novgorod oblast enterprises in military reconversion field<sup>142[215]</sup>.

The foreign assistance to reconversion focuses on training programs for former military officers to include: a) firm-based retraining as part of larger projects, and b) retraining programs provided by Westerners to teach general business skills. The problem here is that, according to the study of Ksenia Gonchar, “Russian industry managers have grown suspicious of generic market economy courses, which they find as dull and useless for their professional advancement”<sup>143[216]</sup>.

Regions might take advantage of their commercial relations with those countries that internationally are considered as a threat to security. Thus, Chuvashia is expecting to gain about \$ 6 million from its contracts with Iraq<sup>144[217]</sup>. OKBM Enterprise (Nizhny Novgorod) was contracted by Iran to rebuild and upgrade the equipment for atomic electric stations<sup>145[218]</sup>.

By the same token, in the aftermath of the end of NATO air strikes against Yugoslavia former governor of Nizhny Novgorod oblast Ivan Skliarov signed decree stipulating creation of the task force on participation of NNO enterprises in rebuilding of destroyed oil refineries in Novy Sad and Panchevo. Ivan Skliarov had also raised this issue at his talks with the head of Russia’s delegation at the European Union Dmitry Likhachov in Brussels<sup>146[219]</sup>.

Russian regional enterprises might become strong international competitors of foreign military producers. Thus, “GAZ” car building factory (Nizhny Novgorod) has designed military jeep “Tiger” for United Arab Emirates Army, which is an alternative to US “Hummer” land rover earlier purchased by UAE Defense Ministry.

Regional law-enforcement agencies are also going global. In a number of regions (Nizhny Novgorod, Tiumen and some others) new security units were established to investigate and prevent high-tech crime, including the misuse of Internet logins and accounts<sup>147[220]</sup>.

## **Part 6.**

### **IMPLICATION FOR THE WEST**

Apart from Russian domestic troubles, the big problem is that the West lacks a clear strategy towards Russia in general and its regions in particular. Many foreign donors seem to have

---

“more money than ideas”<sup>148[221]</sup>. Some experts claim that in many fields of technical assistance there is no serious and comprehensive analysis of the work done by foreign institutions and its effectiveness. No comprehensive account of failures was accomplished so far, mainly because of the fear that such a report might provoke harsh criticism in the West and question the basic political and ideological assumptions of Western engagement. Legal reform is a telling case in point. Referring to Steven Holmes, “thus far, foreign legal advice to Russia has not done that country much good... The assistance community has failed to come to grips with the obstacles inhibiting the rule of law in Russia... Ironically, assistance programs have been undermining trust building. Typically, donor aid has the effect of peeling elites away from serving society by pressuring them to act in the interests of the donor in order to secure future funds”<sup>149[222]</sup>.

As there is no clear strategy, it comes to no surprise that there is also a lack of coordination between Western agencies and centers. In the opinion of Marten van Heuven, “intergovernmental organizations are poor cousins to bilateral contacts in implementing engagement with Russia. The West will continue to face the challenge of having to coordinate bilateral and intergovernmental channels to fashion an effective pattern of engagement with Russia... Without that, the array of presently available intergovernmental venues will only aggravate the lack of clarity as to Western means and objectives”<sup>150[223]</sup>.

We have to keep in mind that external forces (basically political ones) can sometimes have negative effects on democratic institution building. For many Russians, the term “globalization” has a negative connotation and is understood as a sort of global “US imperialism” against which Russia has to defend herself. At the subnational level, we can notice also negative impact in agrarian or border regions (mainly in the southern and far eastern parts of Russia), which are more than other regions exposed to foreign influences such as illegal migration, drug trafficking or cross-border smuggling. It is no coincidence when we find authoritarian and nationalistic regimes in these crisis-racked areas of Russia.

At the beginning of the 21<sup>st</sup> century it became clear that the whole concept of relations between Russia and the West is in crisis and has to be seriously reconsidered. This crisis is very observable in the lack of new and fresh ideas concerning the role of non-central actors in Russia-West communication. It is very much telling that the 2000 Russia-focused report of the Carnegie Endowment “The Program of Renewal” has not a single mention of the US policies with regard to the Russia’s regions<sup>151[224]</sup>.

Seemingly, this is both a political and intellectual problem. The American policy expert community seems to lose the sense of direction of the Russian transition and is overwhelmingly disoriented by the lack of clear indications of progress in the field of regional institution building. Missing or uncertain correlation between the economic openness and the state of the regional democracy is also discouraging for those who in the beginning of 1990s propagated the theory of quick institutional changes within Russia. Also controversial are political profiles of the regional leaders, the bulk of whom could not be classified as either democrats or communists. All these are perceptual difficulties, but having clear political implications.

---

The truth is that the West has had already the same kind of disappointments and frustration in tackling other non-Western nations. As William Easterly, the senior adviser of the World Bank's research group puts it, much of the efforts to assist the developed countries have failed to attain the desired results. "Sub-Saharan Africa has not emerged from a decades-long economic crisis, Asia remains the home of the majority of the world's poor, Latin America has known only erratic and low growth, the Middle East has not converted oil riches into sustained development", he argues<sup>152[225]</sup>.

Turning globalization into the force that sustains democracy-building in the regions of Russia has to be implemented by switching from "cold globalization" paradigm (expert-driven, basically technical, and touching mainly financial, managerial and macroeconomic matters) to a "warm one" – based on deeper involvement of social institutions, more sensitive to societal and humanitarian needs, and focused on grass-roots exchanges among non-professionals. It is wrong to anticipate that issuing academic recommendations, giving "conditional loans" to Russia, and focusing exclusively on industrial modernization will bring the country closer to the global world.

It seems that the basic challenge for the Western assistance to Russia is reshaping priorities to foster concentration of resources<sup>153[226]</sup>. Strangely enough, still there were no comprehensive measurement of the successes and failures of Western assistance programs, some of which were very costly. We think it is time to apply adequate assessment tools to find out in which regions and in which areas the international community did achieve positive institutional changes, and in which it failed.

Global challenges have exercised some – though rather modest and fragmented – impact over Putin's reforms. One of its most essential incentives was to make Russia more competitive internationally through redistribution and rationalisation of resources and rearranging political relations. In this sense Putin's policies are responding to the global challenges. Yet basically all those changes are of domestic background, which makes them even more durable and sustainable phenomena than those imposed from abroad.

Foreign actors however might take advantages of the new developments in the regions. They could benefit from diversification of political resources and appearance of new set of autonomous power contenders in the regions. Under the new circumstances there is much more space for political bargaining and coalition building for the sake of investment promotion, business development and all kind of international projects. There is also more room for fighting the corruption in the regions, which is one of basic impediments for greater international participation: the more actors operate within the region, the more checks and balances unfold, and the more transparent the decision making process might become<sup>154[227]</sup>.

But these are only chances. The nearest future is to show whether the new opportunities will be duly implemented both internationally and domestically. The reform would fail in the long run unless there is clear indication that it stimulates better business conditions, strengthens middle class, fosters openness and transparency, and eradicates corruption - all what is much needed for smooth and effective international cooperation.

---

Plugging into the global world has to start with domestic changes within regional milieu. Living in the global world presupposes greater weight of horizontal, networking relations in all spheres of regional life – in politics, economy, and social processes. Administrative efforts should complement the non-administrative strategies, but not substitute them. The more influential and resourceful are NGOs, the media, private enterprises, professional communities, the faster and more effective the integration to the global infrastructure ought to proceed. As soon as this happens, the administrative institutions would have to react to these changes acknowledging the new roles for networking strategies as a part of region's global agenda.

Based on my analysis, some recommendations could be made.

1. Foreign institutions should not treat regions (especially as pivotal as those studied in this discussion paper) as unitary actors - which is usually the case when it comes to analysis of relationship between the center and regions, or between regions themselves. Deeper comprehension of region's international actorship is needed, to include more profound look at different intra-regional "agents of globalization" such as industrial enterprises, banks, NGOs, media, municipal authorities, and so forth. Each of them pursue individual strategies of switching to the global world and therefore should be tackled differently.
2. Most of the foreign business, financial and commercial institutions operated in VFD face the problem of expanding their social horizons. It seems that their sphere of interest is overwhelmingly circumscribed by rather narrow professionally oriented circles of entrepreneurs, bankers, traders, etc. Unfortunately there are too few examples of effective and thoughtful public relations and media strategies implemented by foreign firms and companies in VFD. Lack of due publicity and clarity in articulating their strategic goals in the region worsens the public perceptions and attitudes towards foreign institutions and forms misperceptions of these institutions as exclusive clubs of self-interest, elite-driven and reluctant to make social commitments. Foreign actors have to be more explicit about their possibilities, explaining their methods, resources and tools as applicable to the region. This pro-active PR strategy might help in overcoming negative myths and stereotypes about globalization in the region. Foreign journalists and policy analysts could more frequently come to VFD and publicly discuss the issues of globalization in wider audiences (students, teachers, artists, writers, parties activists, social workers, NGO leaders, etc.).
3. Many of international institutions in VFD do not still use their potential and advantages to the full scale. In Nizhny Novgorod, for example, Soros Foundation office, the British Council, the American Center in the Linguistic University, Unesco-funded structures, Peace Corps branch could switch from merely information units to region-wide cultural and social institutions integrating different social and professional interests in various fields of regional life (education, environment, volunteering, gender issues, fundraising, campaigning, etc.) Potentials of local alumni of numerous international exchange programs and the Association of Foreign Residents in Nizhny Novgorod are still underestimated and need to be recalled for the sake of bringing new expertise in regional reforms.
4. The road to globalization should not be paved exclusively by regional or municipal administrators. To activate the involvement of wider social and professional layers in international exchanges and networks, it would be helpful if foreign governments insist on

including different non-governmental groups in VFD regions' delegations coming to various international forums (presentations, seminars, exhibitions, etc.). This will contribute to the process of opening new international perspectives for local NGOs.

5. Sergey Kirienko as the most liberal and pro-democratic of all heads of the federal districts merits international support and special treatment. He is undoubtedly committed to reforms aimed at creating business-friendly environment in VFD. Kirienko's efforts to integrate the VFD regions on market principles are worth of all possible intellectual, technical, organizational and other forms of international assistance. It is politically important to get positive feedback from international community in the initial period of creating new institutional structures in the federal district. Such issues as spatial development, subnational integration, inter-ethnic relations, borders and security, and others might be debated and tackled together by ad-hoc task forces of both local and international specialists.

## Conclusion

As we have said before, regions have to be identified as the regional actor belonging to both vertical and horizontal types of communication. The difference between the two is summarized in the table below.

Vertical communication	Horizontal communication
Administrative market of state institutions	Networking between equal actors, including non-state ones
Patronage politics	Interest groups politics
“Hard hierarchy” based on administrative connections and personal loyalties	“Soft hierarchies” based on resource potential (chiefly economic and informational)
Existence of the single center of strategic decision making	No single decision making center exists; the rules are plurality and diffusion of authority, rivalry between competing poles of gravitation
Subordination of political relations	Coordination of political relations
Strict and highly formalized rules of officialdom	Flexible and adaptable frameworks of relations based on emerging agendas (often informal ones)
Strict borders of the institutional influences	No strict borders – all influences are of trans-regional and trans-national reach
Bureaucratic rivalries of different institutions each eager to augment its influence at the expense of others (zero-sum-game)	Self-restraining is indispensable condition for effective functioning of the system
Inward-oriented relationship aimed at mustering domestic resources	Outward-oriented relationship fostering internationalization and globalization

VFD regions share a sort of “double identity” – it functions in two spheres (the administrative and networking ones) simultaneously. This makes us think that the future model of federalism in Russia could be described by the formula “administrative strategies plus networking”. Three basic obstacles however might slow down its implementation.

*First*, the road to the global integration should not be paved exclusively by administrative structures. Of course, it is important that the regional administration signs investment agreements, takes loans, randomly introduces tax relieves for foreign business wishing to

operate in the region, and looks for cooperation with foreign counterparts<sup>155[228]</sup>. Yet “red tape globalization” inevitably faces severe constraints in resources, scope and effects. Region’s “administrative market” works extremely ineffective in vital spheres like strategic planning, legislative support of business, energy supply, labour relations, fighting corruption, and many others.

*Second*, each time state and non-state actors have to interact, multiple conflicts arise – these of communication, decision making and joint management of public issues. Administrative structures are very reluctant to share their powers with non-governmental actors. Yet non-state (networking) actors frequently lack due resources to fully implement their agendas, and have to go and pay their respects to administrative decision makers.